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# Investment Promotion Sectoral Strategy 2004-2006:
# Garment Sector

Final Report

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## Abstract

Over the last five years, Jordan has been successful in attracting investment in the garment industry with around sixty factories operating in the Qualifying Industrial Zones (QIZ). Exports from these factories have increased exponentially since the establishment of the QIZ program in 1998, from JD2,500,000 in 1999 to over JD380,000,000 in 2002. This success in attracting garment investment is attributable to the advantages offered by the market access agreements into which Jordan has entered in recent years. Investors' interest in Jordan has been due to the benefits offered under the QIZ agreement, although the Jordan-US Free Trade Agreement (FTA) and Jordan-European Union (EU) Association Agreement are also of interest. The changing competitive landscape of the industry, as well as competition from other global players, requires that Jordan undertake focused promotion efforts in order to sustain its success of attracting garment investment in the future.

In the coming years, Jordan will enjoy a two-tiered advantage in the garment sector:

1. Jordan will continue to offer exports to main global markets that are free from quotas and obstructions such as voluntary export restraints and anti-dumping measures, and flexible in terms of their fabric sourcing.
2. Even after garment exports from all countries to main global markets are free of quotas and obstructions, Jordan will continue to offer exports to main global markets that are both duty-free and flexible in terms of their fabric sourcing.

For these reasons, Jordan may actually *benefit* from Agreement on Textiles and Clothing expiration by attracting investors from countries such as the United Arab Emirates (UAE) that will lose their own quota advantages and, in turn, seek a predictable environment that offers other preferential trade advantages.

Based on analyses of Jordan's garment sector, it is recommended that the Jordan Investment Board (JIB) adopt a three-year targeted investment promotion strategy for the garment sector, with Turkey, Taiwan and UAE as its primary target markets. It is recommended that the JIB focus on India, Pakistan, Hong Kong and South Korea as its secondary target markets.

The profile of the target investment project is as follows:

- Investment size: US$5 million
- Employment: 500 workers
- Main export market: United States
- Product Tariff: 20%

To be successful in locating and attracting potential investors in target markets, JIB must use focused promotion techniques (i.e., targeting), which is based on compiling specific data and information on potential investors before approaching them and building a case for how Jordan can improve their prospects of growth and profitability. JIB will require adequate resources to target, including availability of promotional officers, database resources for research and sector knowledge, staff skills to target and persuade investors of Jordan's advantages, and staff skills to design annual promotional plans with targets, performance indicators, and resource requirements.

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## Acronyms and Abbreviations

| | |
|---|---|
| AAMA | American Apparel Manufacturers Association |
| AGOA | African Growth and Opportunity Act |
| ATC | Agreement on Textiles and Clothing |
| CBI | Caribbean Basin Initiative |
| CBTA | Caribbean Basin Trade Partnership Act |
| CMT | Cut-Make-Trim |
| DDA | Doha Development Agenda |
| DDI | Domestic Direct Investment |
| EJADA | Euro-Jordanian Action for Development |
| EU | European Union |
| FDI | Foreign Direct Investment |
| FOB | Free on Board |
| FTA | Free Trade Agreement |
| GATS | General Agreement on Trade in Services |
| GCC | Gulf Cooperation Council |
| GIPO | Garment Investment Promotion Officer |
| HTS | Harmonized Tariff System |
| ITF | Investment Task Force |
| JAED | Jordanian Authority for Economic Development |
| JD | Jordanian Dinar |
| JEDCO | Jordan Enterprise Development Corporation |
| JIB | Jordan Investment Board |
| LDC | Least developed country |
| MENA | Middle East and North Africa (Region) |
| MFA | Multi-Fiber Agreement |
| MIT | Ministry of Industry and Trade |
| MOL | Ministry of Labor |
| NAFTA | North American Free Trade Agreement |
| PNA | Palestinian National Authority |
| PSPI | Private Sector Policy Initiative |
| QIZ | Qualifying Industrial Zone |
| SWOT | Strengths, Weaknesses, Opportunities, and Threats |
| UAE | United Arab Emirates |
| US | United States |
| USAID | United States Agency for International Development |
| VTC | Vocational Training Corporation |
| WTO | World Trade Organization |

## 1. Executive Summary

This study seeks to provide the Jordan Investment Board (JIB) with a three-year investment promotion strategy for the garment sector, especially in light of the changing competitive landscape of that sector.

Over the last five years, Jordan has been successful in attracting investment in the garment industry with around sixty factories operating in the Qualifying Industrial Zones (QIZ). Exports from these factories have increased exponentially since the establishment of the QIZ program in 1998, from JD2,500,000 in 1999 to over JD380,000,000 in 2002. (See Section 3.1 for further details.)

This success in attracting garment investment is attributable to the advantages offered by the market access agreements into which Jordan has entered in recent years. Investors' interest in Jordan has been due to the benefits offered under the QIZ agreement, although the Jordan-US Free Trade Agreement (FTA) and Jordan-EU Association Agreement are also of interest. The changing competitive landscape of the industry, as well as competition from other global players, requires that Jordan undertake focused promotion efforts in order to sustain its success of attracting garment investment in the future. (See Section 3.1, Market Access Agreements, and Section 3.3 for further details.)

In theory, the effect of the expiration of the Agreement on Textiles and Clothing (ATC) in 2005 is the elimination of all quotas on garments exports. Countries that have historically attracted garment investors due to quota exemptions will cease to have any comparative advantage for foreign direct investment (FDI) attraction. Garment investment in such countries would migrate rapidly to countries with more durable comparative advantages, due to low labor costs and high levels of worker skills, such as China and India.

In practice, however, the outlook appears different. China, which should benefit greatly from ATC expiration, has agreed to self-imposed quotas, also known as voluntary export restraints, on all garment exports to the United States (US) until 2008 and selected garment exports until 2012.[1] Moreover, lobbyists in the United States and the European Union have demonstrated every intention to use anti-dumping measures in the face of the expected surge of exports from main players like China and India in the post-ATC era. (See Sections 3.3 and 3.4 for further details on this issue.)

In the coming years, Jordan will enjoy a two-tiered advantage in the garment sector:

3. Jordan will continue to offer exports to main global markets that are free from quotas and obstructions such as voluntary export restraints and anti-dumping measures, and flexible in terms of their fabric sourcing.
4. Even after garment exports from all countries to main global markets are free of quotas and obstructions, Jordan will continue to offer exports to main global markets that are both duty-free and flexible in terms of their fabric sourcing.

[1] http://usinfo.state.gov/regional/ea/uschina/wtofact1.htm

For these reasons, Jordan may actually *benefit* from ATC expiration by attracting investors from countries such as the United Arab Emirates (UAE) that will lose their own quota advantages and, in turn, seek a predictable environment that offers other preferential trade advantages. (See Section 3.4 for further details.)

Investors in the clothing industry consider the following factors when deciding on the location of a production plant. (See Section 4.1 for further details.)

- Preferential agreements in tariffs and quotas
- Availability and skill of the local workforce
- Proximity to end markets
- Operating costs
- Efficiency of facilitation services

A strengths, weaknesses, opportunities and threats (SWOT) analysis of Jordan's garment industry in QIZs reveals the following (see Section 4.2 for further details):

- Main strengths
  - Duty-free and quota-free exemptions granted by its market access agreements to the United States and Europe
  - Flexibility in fabric sourcing from third countries for exports to United States
- Main weaknesses
  - Lack of availability of local workforce
  - Lack of skills of local workers
  - Inefficiency of customs and facilitation services
  - Relatively high operating costs

Based on Jordan's strengths in the global garment industry, it is recommended that the JIB target its promotion efforts on investors producing items that have high selling (i.e., free on board (FOB)) prices and carry a high tariff (i.e., over 20 percent) in the US market. Products with a combination of high value and high tariff can immediately obtain great competitive advantage for export to the United States under the QIZ arrangement, on the basis of both quota and tariff exemption. Perhaps more importantly, such products can retain significant competitive advantage under the Jordan-US FTA, on the basis of tariff exemption, even after the final expiration of quota advantages under the QIZ. They may also achieve competitive advantage under the Jordan-EU Association Agreement at some point in the future. (See Section 5.1 for further details.)

It is also recommended that JIB focus its promotion efforts over the next three years on companies that cater to the US market. The US market is the only major market in which Jordan is currently export competitive for garments. Both the QIZ and Jordan-US FTA allow Jordanian garment manufacturers to source their fabrics from anywhere in the world, thereby significantly reducing their material costs and compensating for relatively high operating costs, poor efficiency and weak skills. Given this combination, Jordan has generally been competitive in mass consumer and middle-market products in the US market. The Jordan-EU Association Agreement, by contrast, requires that Jordanian garment manufacturers source their fabrics from either Jordan or Europe, significantly increasing their material costs. Given the requirement for this combination of costs, skills, and efficiency under that agreement, Jordan has not generally been competitive in any product category in the EU market.

In the future, it is hoped that Jordan will work to upgrade its local industry, thereby reducing operating costs and improving worker skills and efficiency. At that time, Jordan may become competitive in upper-middle and luxury products for both the United States and the EU markets.

Given Jordan's distinct advantage in US market over the time period in question, this report focuses on Jordan's ability sustain its competitiveness in that market. Mention of the EU market and Jordan-EU Association Agreement is meant to complete the picture about the global scene and to shed light on the potential of QIZ companies to enter that market in the future.

Opportunities for Jordan to attract garment investment include the following. (See Section 5.1, Outlook for Future Investment for further details.)

- Expectation of the loss of quota exemptions (e.g., Gulf Cooperation Council (GCC) countries)
- Inability to obtain preferential access to US market (i.e., Turkey)
- Operating costs constraints (e.g., Taiwan)
- Expectation of anti-dumping measures after 2004 (e.g., India)

Interviews with selected players in the local market reveal the following threats to the growth of the garment industry in Jordan:

- Possibility of rapid disinvestment by existing QIZ factories
- Upgrade in garment industries in leading exporting countries
- Further increase in local operating costs
- Regional countries entering FTA with the United States
- Abolition of all quotas by 2005
- Quick reduction in duty rates after 2004
- Competition from low-cost labor countries, especially least developed countries (LDC)

The government is aware of most of these issues and is working to address them. It is important to note that time is of the essence in this regard, since the advantages that Jordan has over its competitors will be eroded over time. Jordan's principal advantage over its competitors is its preferential trade agreements, which help Jordanian exporters to overcome artificial trade barriers. Given the recent trend of removing such barriers, the advantage of preferential trade agreements is not durable. At the same time, many competing countries are making efforts to become more durably competitive through programs to upgrade their local industries and investment environment. (See Section 5.4 for further details.)

Priority target markets for investment promotion are as follows:

- Turkey
- Taiwan
- UAE

Secondary target markets for investment promotion are as follows:

- India
- Pakistan
- Hong Kong
- South Korea

These recommended target markets take into account past investment trends in QIZs, the position of target markets in the global export market, the strengths of Jordan's QIZ garment industry, and the opportunities that present themselves in the global market. (See Section 6.4 for further details.)

The profile of the target investment project is as follows:

- Investment size: US$5 million
- Employment: 500 workers
- Main export market: United States
- Product Tariff: 20%

This recommended target investment project profile takes into account past investment trends in QIZs and prospects for future investments based on targeted investment-promotion efforts. (See Section 6.5 for further details.)

To be successful in locating and attracting potential investors in target markets, JIB must use focused promotion techniques (i.e., targeting), which is based on compiling specific data and information on potential investors before approaching them and building a case for how Jordan can improve their prospects of growth and profitability. (See Section 6.6 for further details.)

JIB will require adequate resources to target, including availability of promotional officers, database resources for research and sector knowledge, staff skills to target and persuade investors of Jordan's advantages, and staff skills to design annual promotional plans with targets, performance indicators, and resource requirements. (See Sections 6.1, 6.8, and 6.9 for further details.)

# 2. Introduction

## 2.1 Background

Textiles and clothing have traditionally been a strong driver of FDI and export growth for many developing countries, and Jordan is no exception. From 1996 through 2002, Jordan attracted nearly US$400 million in total investment in the clothing sector, almost entirely in the QIZs, representing about 14 percent of Jordan's total industrial investment during the period. This sector has one of the highest proportions of FDI to total investment, amounting to about US$287 million or 74 percent of the total. Jordan's total exports to the United States increased from US$31 million in 1999 to US$412 million in 2002. Most of this increase is attributable to the surge in investment in and exports from the QIZs, almost all of which has been in the apparel industry. QIZ clothing exports accounted for about 22 percent of Jordan's total exports in 2002, and roughly 10 percent of total industrial sector employment. The future prospects of the textile and clothing industry worldwide and in Jordan must therefore have a tremendous influence on Jordan's future FDI promotion activities.

The expansion of textile and garment production in developing countries has been motivated by two overriding concerns. First is the search for low-cost production, which, because of the labor-intensive character of garment manufacturing, means a search for cheap labor. Second is the search for market access. This search is driven mainly by the Mutifiber Arrangement (MFA) system, which allocates import quotas to countries in the developing world, and its successor framework under the World Trade Organization (WTO), the Agreement on Textiles and Clothing (ATC).

Abolition of the ATC will lead to greater competition in textiles and apparel as highly efficient manufacturers no longer face artificial constraints (i.e., quotas) on their exports to major markets. This implies that certain countries, whose sole export advantage lies in the quota system, will face the loss of most of their garment industries within a fairly short time. This is almost certain to be the case for manufacturers in the GCC countries, including the UAE and Bahrain.

The critical question for the Jordanian clothing sector is what will happen as the world textile trading regime changes as of 1 January 2005.

Viewed solely in terms of cost, Jordan is unlikely to be able to compete effectively with the likes of China or Vietnam. On the other hand, governments in Europe and especially the United States are likely to initiate anti-dumping measures and erect other non-tariff barriers against the larger countries, especially those with which it has no preferential trade agreements. There are a few examples of this happening even in advance of the expiration of the ATC, such as packaging for garments. Nevertheless, middle-income countries, including Jordan, must plan ahead to counter the potential threats posed by the possible abolition of quotas in the coming years.

The follow-on question is whether Jordan should try to compete with more efficient countries, since the sector as a whole will face falling prices. This problem is most acute for middle-income countries such as Jordan, which have not yet succeeded in diversifying and upgrading into more skill-intensive manufactures and which, consequently, "may face a squeeze between the top and bottom ends for manufactures."[2]

## 2.2 Objective

The objective of this consultancy is to work together with JIB to evaluate Jordan's competitive position in the garment industry, especially in light of the changing competitive landscape of that industry, and to develop an appropriate three-year inward investment promotion strategy.

## 2.3 Methodology

The methodology used to perform this study includes the following.

- Review of available literature on the topic, including literature mentioned in the consultant scope of work (See Annex 1.)
- Interviews of selected stakeholders in the local market (See Annex 2.)
- Desk research on global and regional garment industry trends
- SWOT analysis of the QIZ garment industry in Jordan

The focus of this study is to identify niche products and markets for FDI attraction, as well as to provide JIB with a practical promotional plan to approach potential investors. The study is not meant to be a sectoral study. Therefore, the sectoral analysis component of this study serves only as a means to identify target markets and provide profiles of potential investors who may be attracted to invest in Jordan.

Starting with an overview of the garment sector in Jordan, this study identifies existing trends in investment and trade, existing market access agreements, current operational costs and efficiency issues, and available technology and technical expertise. The purpose of this overview is to determine the main features of the sector in Jordan.

A review of the global garment industry is then undertaken to determine trends in the global industry, identify major importers and exporters, identify global agreements affecting the industry, and, most importantly, address the issue of quota abolition in 2005.

These local and global overviews are then used as the basis for a SWOT analysis of the Jordanian QIZ garment industry, as well as a comparison of that industry with the industries of other competing locations in the global market. Based on this analysis, product and market niches, including specific product types, in which Jordan has comparative advantages are identified and on which JIB should focus its targeting efforts. In addition, recommendations are made on ways to counter potential disinvestments from Jordan as competition in the industry intensifies, as well as remedial actions to be taken to reduce the constraints that limit the growth of the local industry.

Finally, a three-year promotional strategy is provided that includes the following.

- Core message and selling points
- Identification of target markets and profiles of target investors

[2] Mattoo, Aaditya, Devesh Roy Devesh, and Arvind Subramanian, "The Africa Growth and Opportunity Act and its Rules of Origin: Generosity Undermined?" International Monetary Fund Working Paper WP/02/158, September 2002, p.14.

- Promotional approaches for JIB to follow in its targeting efforts
- Annual investment targets
- Resource requirements to prepare and execute promotional plans
    - Research tools
    - Personnel
    - Budget

# 3. Sector Overview

## 3.1 Garment Sector in Jordan

***Existing Investment and Trade***

Al Hassan Industrial Estate was designated as a QIZ, based on a Presidential Proclamation in November 1996, allowing Jordanian products manufactured in the Zone to enter the United States duty and quota free. Since then, Al Hassan Industrial Estate and other designated QIZs have witnessed a boom in companies specialized mainly in the production of garments. Investors of different nationalities have relocated their factories or expanded their operations in the zones, taking advantage of the benefits granted under QIZ regulations.

According to JIB, 62 factories were operating at the end of 2002 in seven active QIZs across the Kingdom. These companies exported around JD385 million worth of goods to the United States and Europe in 2002, an increase of 154 percent over 2001. This upward trend in exports has been impressive from 1999 through the first half of this year, as the following table indicates.

**Table 3.1: QIZ Garment Exports**

| | 1999 | 2000 | 2001 | 2002 | 2002 (Jan-Apr) | 2003 (Jan-Apr) |
|---|---|---|---|---|---|---|
| Exports (JD in millions) | 2.4 | 25.2 | 150.1 | 381.2 | 76.279 | 153.2 |
| Increase over previous year | - | 905% | 495% | 154% | - | 101% |

Source: Ministry of Industry and Trade (MIT), Industrial Development Department.

In addition to being a major contributor to national exports, this sector has been a valuable source of FDI, as well as employment opportunities for local workers. This opportunity has not been fully utilized yet by Jordanian nationals, as the total number of Jordanians workers accounted for merely 63 percent of the total workforce of 35,800 in QIZ factories last year. The reasons and ramifications of this fact are discussed later in this report.

Investments in garment manufacturing plants exceeded JD383 million (US$540 million) by the end of 2002, the majority of which came from foreign investors based in Pakistan, India, Sri Lanka China, Taiwan, Hong Kong, South Korea, UAE, Israel, and the United States

Considering that there are 62 garment factories operating in QIZs in 2002, investment per plant averages JD6 million (US$8.7 million), while employment per plant averages 580 people. This information, as well as other factors related to the nationality of investors and trends in FDI over the years (as explained below) help to create a profile of the investor that has typically decided to locate in Jordan, as well as provide important clues about the profile of investors that the JIB should target in the future.

The following table summarizes the number of existing foreign (i.e., owned partially or fully by foreign investors) garment QIZ projects by nationality of investor, size of investment, and recent trends in FDI. In addition, Annex 3 includes a list of companies that are currently operating in QIZs, along with the names, telephone numbers, and e-mail addresses of contact people in each company.

**Table 3.2: FDI in QIZ Garment Factories 1999-June 2003, by Nationality and Investment Size**

| | # Projects | Investment (US$) | Investment/Project |
|---|---|---|---|
| UAE | 10 | 35,000,000 | 3,500,000 |
| Taiwan | 9 | 83,000,000 | 9,222,222 |
| Pakistan | 9 | 42,000,000 | 4,666,667 |
| United States | 6 | 79,850,000 | 13,308,333 |
| Hong Kong | 4 | 25,000,000 | 6,250,000 |
| India | 4 | 13,500,000 | 3,375,000 |
| China | 3 | 34,000,000 | 11,333,333 |
| Israel | 3 | 5,600,000 | 1,866,667 |
| Sri-Lanka | 2 | 22,000,000 | 11,000,000 |
| Turkey | 2 | 12,000,000 | 6,000,000 |
| Korea | 2 | 9,500,000 | 4,750,000 |
| Holland | 1 | 6,500,000 | 6,500,000 |
| Britain | 1 | 6,500,000 | 6,500,000 |
| Bangladesh | 1 | 4,500,000 | 4,500,000 |
| Oman | 1 | 3,000,000 | 3,000,000 |
| **Total** | **58** | **381,950,000** | **6,585,345** |

Notes:
(i) Companies exporting under other than QIZ regulations are excluded.
(ii) Companies owned fully by Jordanian investors are excluded.
(iii) Amount of Jordanian investments in companies partially owned by Jordanians is excluded.
(iv) Companies jointly owned by foreign investors from different nationalities were considered as two projects, each with investment value representing the share of the investor in the company.
Source: Compiled from JIB statistics, July 2003.

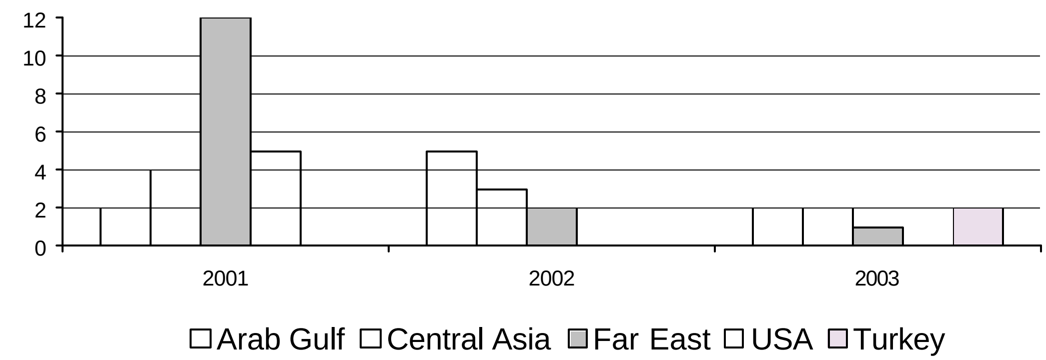
The following observations can be made from the above table:

- The top three countries in number of projects are UAE, Taiwan, and Pakistan.
- The top three countries in investment size are Taiwan, United States, and China.
- The top countries in investment size per project (excluding countries with one or two projects between 1999 and 2003) are United States, Taiwan, and China.

The above conclusions must be qualified in view of the limitations and inaccuracies of collecting factual data from existing companies by both zone operators (managers) and JIB.

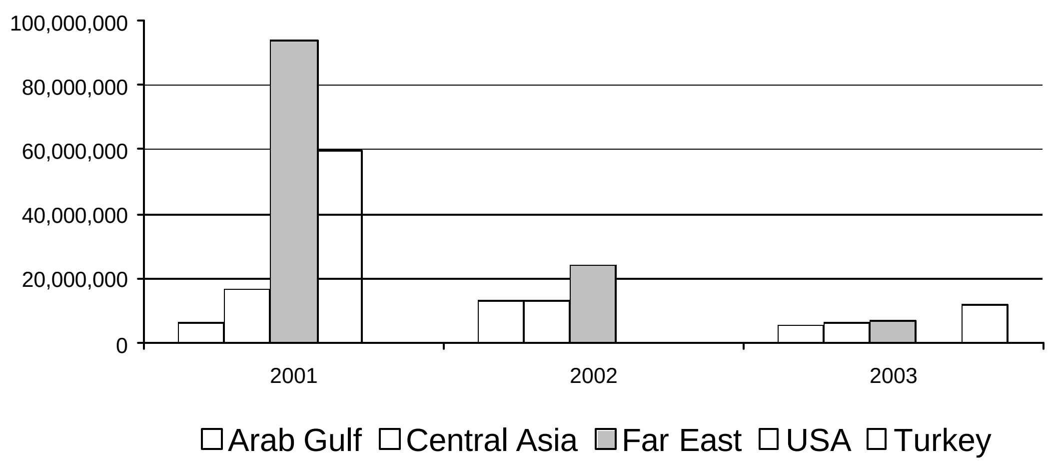
It would be unwise to draw conclusions from the above observations regarding the target markets that JIB should focus on in the future, as an investment coming from the UAE, for example, does not necessarily mean that the owner is of that nationality or that he/she resides there. Similarly, companies registered in Europe could merely be a regional office or branch of a company from another region, which has been set up for tax purposes. It is wise, however, to identify trends from investment data which, when used in conjunction with conclusions from other analytical tools, enable the investment promotion officer gain an understanding of overall market trends.

**Graph 3.1: Number of Projects by Region**




Note: Data for 2003 are through 30 June.

**Graph 3.2: Size of Investment by Region (US$)**




Note: Data for 2003 are through 30 June.

Projects from the United States and the Far East, on the one hand, have been decreasing since their peak in 2001. In the case of the United States, projects have disappeared totally since that year. On the other hand, investments from Central Asian countries and the Arab Gulf have been steady over the same period. In contrast, new interest is seen from Turkish companies, as two Turkish factories were established in Jordanian QIZs during the first half of this year.

Reasons for the above trends could be attributed to promotional efforts or lack thereof in certain regions, to economic and political changes in certain regions, and/or to alternative opportunities offered by competitors to Jordanian QIZs. Analysis provided in later sections of this report sheds more light on the rationale behind such trends and actions that could be taken by JIB to capitalize on them.

***Market Access Agreements***

Jordan has three significant agreements that influence its garment industry and its ability to attract FDI in that industry. First, the QIZ agreement allows duty-free and quota-free

entry of products made in QIZ designated areas to the United States. The text of the agreement pertinent to duty-free entry of products is included in Annex 4. Quota exemptions are not described in the agreement; however, Jordan is not included in the list of countries subject to quota. Countries that are subject to quota by the United States are listed in the following Web site:
http://www.cbp.gov/xp/cgov/import/textiles_and_quotas/archived/2002_year_rpt/.

The agreement is quite lenient in origin of raw materials and inputs, allowing manufacturers to source fabric and trims from anywhere in the world, as long as 8 percent of product value is from Israel, 11.7 percent is from Jordan, and a cumulative sum of 35 percent is secured from Jordan, Israel, the United States and the Palestinian National Authority (PNA).[3]

Negotiations are taking place to lower the 8 percent input required from Israel, as manufacturers consider it a burden on their product cost structure. Indications show that lowering this percentage might take place in the near future, based on a descending scale that is inversely proportional to product value.

The results of this agreement through the end of 2002 are JD383 million worth of investments in 62 garment factories, employing approximately 22,500 Jordanians and exporting JD381 million worth of goods. Some question the benefit this agreement has brought to the Jordanian economy, given that investors are exempt from income tax on exports and that 37 percent of the workforce in the sector is foreign. Others, considering the economy as a whole, argue that QIZ factories are contributing income to the local community through transportation, accommodation, food, and maintenance services, as well as supplies bought from local vendors. An unpublished study made by one of the QIZ owners showed that there is 35 percent value-added to the economy by QIZ factories.

Second, the Jordan-US FTA also allows eventual entry of Jordanian products to the United States free of duties. The agreed tariff schedule between the governments of both countries calls for the reduction of duties on Jordanian products every year for ten years, ending with zero tariffs for most products by 2011. Annex 5 includes the tariff elimination schedule of the FTA agreement, while the following web site provides details on what garment articles fall under each category described in the tariff elimination schedule: http://www.jedco.gov.jo/jedco/pdf/JorSchedule.pdf. Unlike the North American Free Trade Agreement (NAFTA), the FTA does not impose restrictions on the origin of raw materials used in making garments (i.e., threads and fabric) that are bound for the US market. The following Web site offers details on the regulations that govern the rules of origin for products exported from Jordan to the United States under the FTA:
http://www.customs.gov/xp/cgov/import/international_agreements/us_jordan_fta/usjfta.xml.

QIZ manufacturers are not taking advantage of this agreement at the moment. They rely on the benefits gained from using the QIZ formula, as it is currently more cost effective. As the tariff schedule approaches zero for different garment products, the FTA will pose

[3] www.jordaninvestment.com/qualify.htm

a viable alternative to the QIZ formula, especially for those manufacturers who deem the 8 percent input from Israel a burden on their cost structure.

Third, the Jordan-EU Association Agreement is a vehicle to export to EU countries products made in Jordan duty free, provided that they meet the minimum value added requirements to be considered a Jordanian product. The agreement encourages the use of European inputs by considering EU materials used in production as part of the formula to determine the country of origin of the product.

Although a few garment factories take advantage of this rule by importing raw materials from Greece or England, the majority of QIZ factories work under the QIZ formula due to their dependence on the mass consumer market in the United States, which in turn necessitates their reliance on cheaper raw materials from the Far East.

**Considering that the garment industry in Jordan cannot compete in the EU mass consumer market due to cheaper alternatives from China and Central Asian countries, it must work on upgrading its industry to cater to the middle and upper-middle markets in Europe.** Jordan has already started capitalizing on the Tunisian and Moroccan experiences in this area. By continuing to do so, it would have a fair chance of capturing a share of the EU market.

The cumulation of the rules of origin under the Aghadir Agreement promises to allow two countries that have association agreements with the European Union to combine inputs, provided that they have similar agreements among themselves. Once this agreement comes into effect, Jordanian products aimed for the EU market would become significantly more competitive in Europe by combining inputs from Turkey, Egypt, or even Israel, as Jordan has recently negotiated successfully with the European Union to cumulate rules of origin with Israel.

***Factor Costs and Operational Efficiency***

Production cost comparisons in the garment industry are measured in terms of cost per minute, which is basically the production cost less cost of raw materials (see Tables 3.3 and 3.4).

**Table 3.3: Global Production Costs**

| Country | Cost (US$/minute) |
|---|---|
| Cambodia | .056 |
| Vietnam | .057 |
| China | .059 |
| Guatemala | .069 |
| United States | .171 |
| Germany | .269 |

Source: “Pricing In The Global Garment Industry” Center for Research on Multinational Corporations (SOMO), 19 May 2003.

**Table 3.4: Regional Production Costs**

| Country | Cost (US$/minute) |
|---|---|

| **Jordan** | **.080 – 090** |
|---|---|
| Egypt | .093 |
| Morocco | .117 |
| Tunisia | .123 |
| Turkey | .146 |
| Source: Tahar Ben Amor, "Strategy and Action Plan to Enhance the Competitiveness of the Garment Industry in Jordan" 2003, p.59. | |

These figures suggest that, based on production costs alone, Jordan is uncompetitive with China and other leading Asian manufacturers, but competitive with countries in the region. Based on factors other than costs, however, Jordan is uncompetitive even with countries in the region. Costs and delays related to sourcing and purchasing trims and accessories from Israel, as well as customs and shipping, make Jordan less attractive to foreign investors seeking to lower their operational expenses. An investor with factories in Jordan and the UAE estimates that operational costs in Jordan are about 120 percent higher than those in Dubai when factoring in inefficiencies and delays. While further research is required to confirm this fact, it is clear that the cost of doing business in Jordan is a relatively weak selling point for attracting FDI into the country.

***Available Technology and Technical Expertise***

Manufacturers in the garment industry perform a variety of functions, ranging from design to product distribution, which typically include sample production, pattern making, grading, cutting, sewing, printing, washing, finishing, and packaging. Garment companies in Jordan are mainly involved in Cut-Make-Trim (CMT) operations, implying that the focus is on cutting, sewing, and finishing operations, which are considered of low value added relative to other functions in the value chain.

The technologies used by the majority of companies in the QIZs include simple spreading and cutting equipment that are not linked to computerized grading or design software. Sewing machines are generally advanced in that they include automatic trimmers and accessories. Finishing operations are normally done via simple pressing machines, with few exceptions of companies using specialized toppers. Washing and embroidery operations are available in very few factories that can also offer these services to other QIZ companies for a fee. Washing operations generally lack effective systems for wastewater treatment, including the effective recovery and reuse of wastewater. Simple printing (i.e., silk screen) is utilized on a small scale by a few garment factories; certain local workshops outside the QIZs offer this service as well.

**JIB should consider attracting international companies that perform design, grading, automatic cutting, embroidery, or printing as part of their in-house operations, as these would probably be involved in product ranges that are of high FOB value. As a result, the duty free incentives offered by QIZ regulations would be quite beneficial to such companies.**

It is worth noting, however, that Jordan is not currently able to furnish the required local technical expertise required by the abovementioned functions. Availability and skills of local workers and mangers are definitely lacking at this stage, as evidenced by the high number of foreign employees – 13,200 workers, technical experts and operations managers – working in existing QIZ factories.

The Government of Jordan understands this deficiency and has designed a program to train 4,000 sewing operators on annual basis, to be available for existing and upcoming projects. The EJADA Program has also initiated a training program to upgrade the skills of local workers in production, design, and management. (See Section 5.4 for further details.)

A recent study suggests that between 11,000 and 17,000 job opportunities can be created annually in the garment industry over the next ten years.[4] Although these numbers are optimistic in our opinion, it would take the government over three years simply to replace all foreign workers in existing factories, even if all 4,000 workers trained each year were to enroll in the QIZ garment sector after their graduation.

**JIB should continue to emphasize the need for upgrading the skills of local workers and managers as a tool to attract further foreign investment into Jordan, specifically investment by companies that produce higher-end products with relatively high FOB.**

## 3.2 Global Garment Industry and Trade

The global garment industry is large, amounting to approximately US$190 billion in 2000, of which the United States and selected EU countries account for over 60 percent of the market, as the following table demonstrates.[5]

**Table 3.4: Leading Garment Importers in 2000 (US$ in millions)**

| | Knitted Garments | Woven Garments | Total | |
|---|---|---|---|---|
| United States | 27,510 | 34,232 | 61,742 | 33% |
| Germany | 7,991 | 10,173 | 18,164 | 10% |
| UK | 5,296 | 6,698 | 11,994 | 6% |
| France | 4,873 | 5,893 | 10,766 | 6% |
| Netherlands | 1,990 | 2,578 | 4,568 | 2% |
| Italy | 2,305 | 3,267 | 5,572 | 3% |
| **Total Global Market** | 85,358 | 104,032 | 189,390 | |
| **Leading Markets' Share of Total Global Market** | | | | **60%** |
| Source: "Strategy and Action Plan to Enhance the Competitiveness of the Garment Industry in Jordan." | | | | |

The US market is by far the largest market in the world. As such, it is the one most sought after by garment manufacturers. EU countries come next with a market share of at least 25 percent of the global market. Within these markets, four main segments are identified based on the value of final product:

[4] Tahar Ben Amor, "Strategy and Action Plan to Enhance the Competitiveness of the Garment Industry in Jordan" 2003, p. 77.
[5] *Ibid*, Appendices 3-4.

- Mass consumer
- Middle
- Middle upper
- Luxury

A number of studies on the garment industry show that the mass consumer markets in both the United States and Europe are dominated by imports from China and other low-cost producers in the Far East and Central Asia. This market segment is price sensitive and competes solely on cost.

Upper middle and luxury products for the European market are produced in Western European countries, whereas those for the US market are produced in EU countries and Canada. The products for these market segments are characterized by small orders, short lead times, and high quality materials. Mediterranean and Asian countries have yet to enter this market in a significant way.

Middle market products in Europe are imported from Mediterranean countries (e.g., Turkey, Morocco, and Tunisia) and Central European countries. In the United States, such products are imported from Asian industrial countries, as well as Mexico. Competition in this market relies on a combination of factors like cost, lead times, quality, and reliability of suppliers. To compete on this level, the garment industry in Jordan must focus on upgrading the technical skills of local workers, technicians, and managers, as well as improving the efficiency of the facilitation services required by local producers.

Leading world country exporters include many of the industrialized countries, such as Italy, Germany, United States, France, and the United Kingdom. This is due in part to high-value fashion items produced in these countries. As for developing countries, the Far East dominates, with China, Hong Kong, and South Korea among the top. Turkey and India also have leading positions among developing countries, as the following table shows.

**Table 3.5: Leading Developing Country Garment Exporters in 2000 (US$ in millions)**

| | Knitted Garments | Woven Garments | Total |
|---|---|---|---|
| **China** | 13,424 | 18,865 | 32,289 |
| **Hong Kong** | 4,844 | 5,008 | 9,852 |
| **Turkey** | 3,697 | 2,486 | 6,183 |
| **S. Korea** | 2,402 | 2,150 | 4,552 |
| **India** | 1,587 | 2,720 | 4,307 |
| **Indonesia** | 1,288 | 3,006 | 4,294 |

Note: These countries account for 42 percent of total world exports.
Source: “Strategy and Action Plan to Enhance the Competitiveness of the Garment Industry in Jordan”.

Competitiveness in the garment industry, especially in the mass consumer and middle markets, is affected significantly by tariffs and quota restrictions imposed on products imported into the world's leading markets, the United States and the European Union Therefore, countries or regions that have special agreements with these two blocks have a distinct advantage over the rest of the world in final product cost.

Current duty-free or quota-related agreements that are similar to Jordan's QIZ program are NAFTA, the African Growth and Opportunity Act (AGOA), and the US-Caribbean Basin Trade Partnership Act (CBTPA). NAFTA requirements permit the entry of products made in Canada and Mexico to the US market duty-free and quota-free, subject to certain conditions. Of relevance to the garment industry, the most significant condition is the use of United States, Canadian, and/or Mexican fabrics in the make-up of garments that enter the US market. Mexican garment exports to the United States in 2000 and 2001 were US$8.4 and US$7.8 billion, respectively.[6] In 2001, those two countries accounted for 16 percent of total US imports.

AGOA offers duty-free and quota-free entry to the US market for apparel items made in eligible sub-Saharan African countries from US-made fabric, yarn, and thread. To be eligible, the beneficiary countries must first show that they have effective visa systems to prevent illegal transshipment and use of counterfeit documentation. The act also allows countries with per capita gross national product of less than US$1,500 in 1998 to use fabric originating from anywhere in the world until September 2004.[7]

AGOA has resulted in a 70 percent growth of exports to the US market in 2001 compared with 1999, the year before AGOA came into effect. In monetary terms, however, all AGOA countries combined exported US$116 million worth of textiles and garments to the United States in 2001. What is more significant is the fact that 80 percent of AGOA garment exports came from third-country fabrics, which will not be permitted beyond September 2004.[8]

The Caribbean Basin Initiative (CBI) of 1983, which was replaced in the year 2000 by the CBTPA of 2000, extends NAFTA-like trade benefits to countries in the Caribbean. In 1999, CBI countries as a block exported US$8 billion worth of apparel products to the United States, mainly from the Dominican Republic, Honduras, El Salvador, Guatemala, and Costa Rica.

All of the aforementioned agreements offer the same concessions in terms of duty and quota. What makes the QIZ more favorable is the ability to source fabrics from anywhere in the world. AGOA extends the same privilege to selected low-income Sub-Saharan countries, but this privilege expires in a little over a year. **JIB must highlight this aspect of the QIZ program in its brochures and communications with prospective investors.**

A number of developing countries, such as Bahrain and Morocco, are negotiating free trade agreements with the United States. It is not yet clear what privileges and restrictions

[6] *Ibid*, Appendix 11.
[7] www.agoa.gov/Elegibility.
[8] "AGOA Successes and Challenges: A Look Back at the First Two Years," The African Coalition for Trade (Washington, D.C.), 14 January 2003.

will be offered in such agreements. **Nevertheless, JIB should keep up to date with developments in these negotiations and adapt its promotion strategy accordingly.**

Turkey is also negotiating a QIZ agreement with the US The agreement is not expected to include garments as one of the items to be granted duty-free and quota-free entry into the US An article in *Turkpulse* confirms this point of view stating that "As for the products that will enter within the scope of Turkish QIZs, the Americans insisted that labour-intensive industries should be excluded from these arrangements. It meant excluding Turkey's number one export items textiles and ready-made clothing from these tariff facilities. Instead the Americans insisted on having high-tech industries in these zones."[9]

### 3.3 Changing Competitive Landscape of Global Garment Industry

The garment industry, being a labor-intensive industry that does not require heavy investment in assets, competes mainly on cost and tariff or quota regulations. This is particularly applicable to the mass consumer and middle-market segments of the industry.

To date, a number of countries or regions have been able to compete in these segments largely due to artificial advantages they offer in tariff and/or quota exemptions. Preferential treatment due to quota restrictions should end by 1 January 2005. The ATC requires the abolition of all quota restrictions by that date. Moreover, the Doha Development Agenda (DDA) calls for the gradual reduction or elimination of peak tariffs on all products, including garments. In practical terms, however, those involved in the garments industry doubt that quota abolition will take place in 2005 or that the United States and Europe will reduce tariffs soon after that date. The chairman of India's Apparel Export Promotion Council stated that "although MFA would cease to exist, the importing countries may also sometimes resort to non-tariff barriers."[10]

A conference on the future of textiles and clothing after 2005, held in Brussels in May 2003, was attended by high-level officials from almost all important players in the industry. Powerful lobbyists from the United States and the EU, commenting on the use of counter- actions after quota phase-out, called for the explicit use of anti-dumping and countervailing measures. This view is shared with players and consultants in the local market.

The use of anti-dumping measures in the textile and clothing sector is not uncommon. In fact, the sector has seen the initiation of a large number of anti-dumping actions during the last several years. With 197 initiations during 1990-1999, the sector ranked fifth among all sectors involved in this type of trade remedy.[11] Moreover, domestic lobbies in developed countries, which have long enjoyed blanket protection, have of late shifted their attention to contingent trade remedies. They have become prone to equating reduction in import prices with dumping, irrespective of whether it be due to heightening

[9] www.turkpulse.com/lack.htm
[10] K. L. Madan, "Garment Industry, Prospects and Challenges".
[11] WTO document TN/RL/W/48/Rev.1, "Anti-Dumping Actions in the Area of Textiles and Clothing: Developing Members' Experiences and Concerns," 5 February 2003, p.2.

of competition or other causes such as declines in prices of inputs for downstream production.[12]

With respect to exports from China, the United States and that country have already agreed to specific measures that will ensure the control of Chinese imports into the United States between 2005 and 2008. The Office of the Press Secretary of the White House issued a statement on the matter in March 2000 declaring that the United States will gain new leverage to ensure fair trade and to protect the United States agricultural and manufacturing base from import surges, unfair pricing, and abusive investment practices.[13] The statement goes on to state that no agreement on WTO accession has ever contained stronger measures to bolster guarantees of fair trade, and that this agreement addresses these concerns through the following:

- **Strong anti-dumping protections.** The agreement guarantees the United States the right to use the special anti-dumping methodology applied to non-market economies for 15 years after China's accession to the WTO.
- **A China-specific safeguard.** For the first 12 years, in addition to the existing global safeguard provisions, China has also agreed to a country-specific safeguard that is stronger and more targeted than that provided normally. This ensures that the United States can take effective action in case of increased imports of a particular product from China that cause or threaten to cause market disruption in the United States.. This applies to all industries, permits the US to act based on a lower showing of injury, and to act specifically against imports from China.

Another statement by the American Apparel Manufacturers Association (AAMA) states that “Chinese imports can still be selectively restrained through quotas because of a special four-year post-2005 textile and apparel safeguard, lasting until the end of 2008, and an overall 12-year product-specific safeguard, lasting until 2012.”[14]

Considering the above arguments, it looks very likely that specific measures will be utilized as of 2005 to control the inflow of garment products that are manufactured in leading low-cost exporting countries into the world markets, especially into the US market. These measures may come in the form of self-imposed quotas and/or anti-dumping measures. In either case, however, mechanisms are already in place to control the exports of China, the leading world exporter, for a number of years, probably until 2008 and possibly beyond that date on selected products. The same argument may be used by interest groups in developed countries to impose restrictions on exports from other leading exporters, such as India, in the event that such exports threaten to affect local jobs and/or contribute to import surges, unfair pricing, and abusive investment practices.

### 3.4 Impact of ATC Expiration

Disregarding the politics of quota abolition and the potential replacement of quota restrictions with anti-dumping measures, the erosion of advantages due to quota

[12] *Ibid*, p. 9
[13] http://usinfo.state.gov/regional/ea/uschina/wtofact1.htm
[14] http://apparelandfootwear.org/data/china.html

restrictions will likely have different effects on apparel producers around the world. China and India, both low-cost producers, will benefit from an end to quota restrictions, as compulsory quotas (penalties) on their products currently represent a tax on garment exports. The effect of this benefit may not be felt immediately.

Middle-income countries that rely on quota allocations as their only source of competitive advantage will probably lose their market shares after 2004. Prospects after 2004 for GCC countries, such as UAE, Bahrain, Oman, and Qatar, are not encouraging. Middle-income countries that rely on other factors as sources of comparative advantage will still be able to compete in the US and EU markets, provided that they upgrade production technologies, enhance workers skills, integrate vertically (i.e. include design, grading, automatic cutting and embroidery in their operations), and become more efficient in logistics. This, of course, assumes that countries maintain a grip on operational costs in the process.

Jordan, a country that falls in the middle-income category, will continue to enjoy tariff-free exports after 2004, but must work very diligently on upgrading the local technical and management skills, increasing worker productivity, improving the efficiency of logistics and facilitation services, and refraining from substantial increases in wages or utility costs. Moreover, being a country exempt from quotas, Jordan will likely enjoy an added advantage over the coming years in terms of quotas over low -cost producers, such as China, which will likely face the obstacles of anti-dumping measures or self-imposed quotas on its exports.

# 4. Sector Analysis

## 4.1 Investment Location Decisions

Investors make decisions to relocate their factories or expand their businesses in new locations due to a variety of reasons related to achieving certain company objectives. A general list of factors that are taken into consideration for diverse economic functions can be found in Annex 7.

In the garment sector, factors related to market access and quota availability used topped the list few years ago. Nowadays, with the uncertainty surrounding quota abolition, the possibility of the replacement of quotas with anti-dumping measures, and the recent concern surrounding the spread of the SARS disease in the Far East, investors are including diversification in their list of relocation factors.

In general, however, apparel manufacturers have the following motives for relocating or expanding their operations in new countries:

- Access to local and regional markets
- Preferential agreements in quotas and tariffs
- Investment incentives
- Operating cost savings
- Lead-time reduction (i.e., proximity to market)
- Availability of skilled labor
- Diversification (i.e., risk aversion)
- Growth

When considering a new location, investors also analyze basic factors, such as country stability (political and economic), adequacy of infrastructure for business, and efficiency of investor services. These factors are almost always evaluated prior to undertaking a cost-benefit analysis of the new location. In fact, the feasibility analysis might not take place at all if the basic investment environment is found to be unfavorable.

## 4.2 SWOT Analysis

SWOT analysis is one of the strategic analysis tools that help organizations and companies understand their competitiveness in the ever-changing business environment. It considers both internal factors (**S**trengths and **W**eaknesses), as well as external factors (**O**pportunities and **T**hreats) posed by the environment and the competition. More materials on SWOT analysis can be found in Annex 14.

***Strengths and Weaknesses***

| **Strengths of Jordan's Garment Sector** | |
|---|---|
| **Factor** | **Comments** |
| QIZ program, Jordan-US FTA, and Jordan-EU Association Agreement | Allow duty-free and quota-free entry of selected products to the world's largest markets. |
| Specially-negotiated WTO status with regard to tax on export revenue | Allows zero tax on export earnings until end-2007, which may be extended based on negotiations between Jordan and the WTO. |
| Track record of existing companies | Success of existing QIZ factories can be marketing tool used by JIB. |
| World-class Labor Law | Prohibits child labor and sweatshops, which is important to |

| | |
|---|---|
| | US and EU buyers. Excerpts of the Labor Law are included in Annex 6. |
| Government's decision to grant work permits to foreign workers | Allows investors to jumpstart their operations using skilled foreign labor. |
| World-class Investment Law and regulations | Grants full repatriation of profits and other investor protections. Selected incentives under the Investment Law are listed in Annex 7. |
| High-quality infrastructure | Provides reliable network of roads, electricity, and communication. |

| **Weaknesses of Jordan's Garment Sector** | |
|---|---|
| **Factor** | **Comments** |
| Labor costs compared to major players (e.g., China, India) | Lowers cost competitiveness of QIZ products in comparison with low-cost producers. |
| Lack of design capabilities | Prevents factories from integrating vertically, hence improving "lead times" and controlling cost. |
| Lack of skilled workforce | Prevents factories from producing high value-added products and entering the upper-middle markets in the US and Europe. |
| Lack of effective training programs to build local capabilities | Prevents factories from replacing foreign workers with local workers, thereby increasing operating costs and decreasing the ability produce higher value-added products. |
| Lack of speed in logistics and customs transactions | Increases operating costs, delays deliveries to customers, and prevents catering to market segments requiring "quick response". |
| Poor local worker attitude (e.g., high turnover, low productivity, and absenteeism) | Contributes to inefficiencies in production, increases in operating costs, and reliance on relatively expensive foreign workers. |
| Lack of water resources in the Kingdom | Prevents factories from undertaking large-scale washing and dyeing operations. |

In view of the strengths and weaknesses listed above, Jordan's competitiveness was compared to a number of countries that can be grouped into the following three categories (see Table 4.1):

1. World-leading exporters to both the United States and the European Union (i.e., China and India/Pakistan)
2. Regional suppliers to the European Union (i.e., Turkey, Romania, Tunisia/Morocco, and Egypt
3. Regional exporters to the United States (i.e., GCC and AGOA countries)

This comparison is based on the investment criteria which are discussed in Section 4.1 and deemed important by garment industry investors when evaluating new investment locations. Grades of "A," "B," or "C" were assigned, representing how well each country satisfies the specific criterion.

The following observations pertaining to investment promotion can be made from this comparison:

- Jordan can market itself strongly for high-duty products bound for the US market in the short term, as well as the EU market in the medium to long term.

- Jordan can continue to market itself strongly in the short term for products with high quota. This could be extended to later years if quota abolition is replaced by anti-dumping measures beyond 2004.
- Jordan can use fabric procurement flexibility offered under QIZ and Jordan-US FTA regulations as an advantage over competitors with similar agreements with the United States, such as NAFTA, AGOA, and CBTPA countries.
- In terms of operating cost efficiency, Jordan is currently more or less as competitive as most other countries, except for China due to its very low wages. This position could erode in the future as other countries strive to improve the competitiveness of the garment sectors in their countries.
- In terms of logistics and facilitation, Jordan is more competitive than China and AGOA countries, as competitive as a number of regional countries, and significantly less competitive than GCC countries and Romania. This factor will become increasingly important as Jordan strives to move up market in Europe and the United States.

**Table 4.1 Competitiveness of Jordanian QIZ Garment Industry**

| | | Global Competitors for US and EU Markets | | Regional Competitors for EU Market | | | | Regional Competitors for US Market | |
|---|---|---|---|---|---|---|---|---|---|
| | **Jordan** | **China** | **India/ Pakistan** | **Turkey** | **Romania** | **Tunisia/ Morocco** | **Egypt** | **GCC Countries** | **AGOA Countries** |
| Duty-free access | | | | | | | | | |
| United States | **A** | C | C | C | C | C | C | C | B |
| European Union | **A** | C | C | A | A | A | A | C | A |
| Quota-free access (US) | **A** | C | C | C | C | C | C | B | B |
| Flexibility in sourcing fabrics (a) | | | | | | | | | |
| United States | **A** | C | C | C | C | C | C | C | B |
| European Union | **B** | C | C | B | B | B | B | C | C |
| Tax/profit repatriation regulations | **A** | B | B | A | A | A | A | A | A |
| Operating cost efficiency (b) | **B** | A | B | B | B | B | B | B | B |
| Facilitation and logistics | **B** | C | B | B | A | B | B | A | C |
| Proximity to market ( c) | | | | | | | | | |
| United States | **B** | C | C | B | B | A | B | B | A |
| Europe | **B** | C | C | A | A | A | A | B | B |
| Infrastructure (d) | **A** | B | B | A | A | A | B | A | C |
| Perceived country stability | **B** | B | B | B | A | B | B | A | C |
| Local workers | | | | | | | | | |
| Technical skills | **C** | B | A | A | A | A | B | B | C |
| Availability | **C** | A | A | A | A | B | A | A | B |

(a) As permitted in relevant preferential trade agreements.
(b) Includes minimum wage and fringe benefits for workers, utility costs, and worker efficiency. A comprehensive indicator of operating cost efficiency that is used in the industry is cost per minute of production. Such figures are arrived at through surveys conducted by specialized companies, such as Kurt Salmon. Examples of recent figures by Kurt Salmon for different countries are provided in Tables 3.3 and 3.4.
(c) Includes minimum wage and fringe benefits for workers, utility costs, and worker efficiency. A comprehensive indicator of operating cost efficiency that is used in the industry is cost per minute of production. Such figures are arrived at through surveys conducted by specialized companies, such as Kurt Salmon. Examples of recent figures by Kurt Salmon for different countries are provided in Tables 3.3 and 3.4.
(d) Includes transportation (i.e., road quality and extent, port efficiency), telecommunications (i.e., quality), and electricity (i.e., reliability). As such factors are difficult to measure quantitatively, qualitative information in the form of testimonials from manufacturers can be used as indicators. In addition, an indirect quantitative indicator of infrastructure adequacy is plant efficiency.

- In terms of physical proximity to the United States and Europe, Jordan is more competitive than countries in Far East Asia, but less competitive than countries in the region, especially in exports to the European Union. This factor is especially important for Jordan's competitiveness in middle and upper-middle markets.

- In terms of infrastructure, with specific reference to its adequacy for the apparel industry, Jordan is as competitive, or more competitive, than any country in the comparison. This could be used as a selling point, although it is taken as a given in today's business environment.
- In terms of perceived country stability, Jordan is perceived as relatively unstable, as it is located between Iraq and Israel/PNA. Many other developing countries in the table are also perceived as relatively unstable. With proper promotion, investment promotion officers can dispel this misconception.
- Jordan's main weakness is in the limited availability of local workers and the poor skills for the garment industry of the local workforce. In fact, Jordan ranks last in this category, except when compared with AGOA countries. The significance of this factor is two-fold. First, it necessitates the reliance on relatively costly foreign workers to run factories. Second, it means that competing in middle and especially upper-middle markets is more difficult.

**As a part of its promotional effort, JIB needs to emphasize Jordan's strengths and counter inaccurate perceptions about its weaknesses. In order to make such arguments for each strength and weakness, JIB should use a variety of points, all of which must be supported by current and specific evidence from appropriate data sources.** Using two of Jordan's main weaknesses as examples – (1) perceived country instability and (2) poor worker skills and availability – the following table demonstrates how this can be done by JIB promotion officers for all strengths and weaknesses. It includes generic points that can be used to support arguments emphasizing strengths or countering weaknesses, data sources for evidence to support such points, and specific examples of such points. JIB should continuously explore points that it might make, as well as the data sources that provide evidence to support such points.

**Table 4.2: Supporting Strengths and Countering Weaknesses**

| **1.** | **Weakness** | **Perceived country stability** |
|---|---|---|
| 1.1 | Generic Point | Actual garment investment in Jordan, which demonstrates confidence of other investors in the stability of the country. |
| | Data Source(s) | JIB investment statistics |
| | Specific Example | Increase in garment investment approvals of around 150% in 2002 over 2001, and over 100% in the first four months of 2003 compared to the same period in 2002. |
| 1.2 | Generic Point | Real economic growth, which is an indicator of country stability. |
| | Data Source(s) | Central Bank Monthly Bulletin |
| | Specific Example | The economy has been growing at the rate of 4.7% and 5.0% in real GDP terms in 2001 and 2002 respectively, despite the turmoil in neighboring countries. |
| 1.3 | Generic Point | Progressive national leadership and good governance, which is an guarantee of future country stability. |
| | Data Source(s) | Speeches made by H.M. King Abdullah II, especially in recognized, international venues. (Found on government Web sites.) |

| | | |
|---|---|---|
| | | Articles written about Jordan, especially in recognized, international periodicals. (Found in international press.) |
| | Specific Example | His Majesty King Abdullah II is keen on pursuing actions that consolidate stability and economic growth, as demonstrated by the following quotations from a speech he delivered at Columbia University in September 2000: "We pioneered a democratic experience that is built on solid institutions of law, accountability and justice. We have also provided an example for making peace with our neighbors, a peace that upholds justice and provides security, a peace that creates effective frameworks for regional cooperation in resource allocation."[15] |
| **2.** | **Weakness** | **Availability and skills of workers** |
| 2.1 | Generic Point | Actual labor situation, which demonstrates that using Jordanian workers can be a viable alternative to foreign labor, given proper training. |
| | Data Source(s) | Garment manufacturers |
| | Specific Example | Century Garments, one of the largest factories in the Al Hassan QIZ, is operated by a workforce that is 100% Jordanian. |
| 2.2 | Generic Point | Current training situation, which demonstrates that Jordan is aware of this weakness and taking aggressive steps to improve it. |
| | Data Source(s) | Ministry of Labor (MOL), Vocational Training Corporation (VTC), EJADA Program, garment manufacturers. |
| | Specific Example | The Government of Jordan is currently commissioning a Tunisian company to train 4,000 workers and 100 trainers by July 2004. |

***Opportunities and Threats***

***Opportunities***

**1. Concentration on high-tariff products.** Producers of garments with high duty will still find a comparative advantage in setting up in QIZs, even if quota advantage is lost. Certain product categories like the ones made of man-made-fiber (synthetics) have a tariff rate of over 30 percent. This implies that savings of 30 percent on the FOB price of the product can be achieved by relocating to Jordan, since Jordan is currently among very few countries that have duty-free access to the US market.

| **Table 4.3: Example on Savings due to Tariff Exemptions** | |
|---|---|
| Trousers with FOB value | JD 20 |
| Tariff Rate | 30% |
| **Savings per pair of trousers** | **JD 6** |
| Trousers exports per day | 200 |
| Working days per year | 280 |

[15] http://www.jordanembassyus.org/09102000001.htm

| | |
|---|---|
| Trousers sold per year | 56,000 |
| **Savings per year (due to tariff)** | **JD 336,000** |

**2. Lobbies in United States and European Union preventing immediate abolition of quotas in 2005.** Pressure from interest groups like garments associations in the European Union and the United States will probably cause the replacement of quota abolition with anti-dumping measures on low-cost producers like China.

**3. QIZ arrangement in Turkey unlikely to include garments.** Turkish manufacturers had expressed interest in the in the late 1990s in setting up in Jordanian QIZs. This interest quickly subsided after the announcement of a possible QIZ-like arrangement between the United States and Turkey. In the last few months, however, it has become clear that such QIZ arrangement will not include garments. As a result, Turkish manufacturers have renewed their interest in Jordanian QIZs, with two investors setting factories up in the first half of this year. (See Section 3.2 for further details about the Turkish QIZ program.)

**4. Abolition of quotas could lure companies to relocate to Jordan.** Companies currently operating in countries primarily due to the availability of quota allocations to the US market will have little interest in remaining in such markets after 2004. The GCC is a good example of markets where JIB has an immediate opportunity to target investors who seek a viable alternative to access the US market.

**5. Cumulation of rules of origin for exports to European Union under Aghadir Agreement.** This agreement will allow for the utilization of inputs from more than one country that have free trade agreements with Europe and with each other to manufacture a product and export it to Europe free of duties. Manufacturers operating in Jordan will have the opportunity under this agreement (once activated) to source fabrics from Turkey or Egypt for their products slated for the EU market.

**6. Western European and Industrial Far East Asian companies seeking to reduce operating costs through relocation.** Manufacturers operating in these regions continuously face the challenge of reducing operating costs to compete in world markets. Jordan, with access to both the United States and the European Union, can provide a relatively cheap option for those companies than the countries they are currently manufacturing in.

**7. Regional integration encouraged by QIZ rules.** QIZ rules of origin call for at least 8 percent input from Israel, 11 percent from Jordan, and the remaining input to satisfy the 35 percent minimum value added from Israel, Jordan, the PNA, or the United States. This implies that manufacturers can perform certain operations outside the QIZ, either in Israel or the PNA, and still qualify their product for quota-free and duty-free entry into the US market. In this way, manufacturers can expand their QIZ production into important areas in which Jordan is not currently economically competitive, such as dyeing and washing, or technically competitive, such as design.

***Threats***

1. **Possibility of rapid disinvestment.** This fact the garment industry requires relatively low investment levels facilitates the possibility of quick exit or disinvestment by foreign investors in Jordanian QIZs, if operating conditions become unfavorable. The threat of disinvestment by particular investors (i.e., those who manufacture low FOB products and who set up in Jordan primarily due to quota exemptions) is real, and local authorities (i.e., JIB, MIT, MOL) must coordinate efforts to identify these players, dissuade them from disinvesting, and identify alternatives for workers who might be laid off. See Sections 5.3 and 5.4 for further information on how to respond to this threat.

2. **Upgrade in garment industries in leading exporting countries.** Many countries, from Nepal to Mexico, are working to improve technologies, as well as upgrade technical skills and worker efficiency. They are taking such measures to improve their competitiveness, in order to counter the threat of low-cost production from China. Jordan must also improve its sector's productivity to maintain its ability to attract investment in this industry in the future. Areas that need to be improved include facilitation services, customs, and workers' skills. See Section 5.4 for recommendations to improve these areas.

3. **Increase in local operating costs (e.g., minimum wage, electricity).** The cost structure of the garment industry in Jordan is high compared with low-cost Far East countries and is on par (or slightly less) than regional competitors. (See Section 3.1, "Factor Costs and Operational Efficiency" for further details.) Any substantial increase in minimum wage, water, electricity, or transportation costs would drive Jordan out of the FDI market, especially as other countries improve their productivity. See Section 5.4 for recommendations to address this issue.

4. **Certain regional countries expected to enter FTA with United States.** Bahrain and Morocco are currently negotiating FTA agreements with the US In the event that these agreements offer NAFTA-like privileges, then Jordan would still be at a distinct advantage as QIZ regulations allow the sourcing of fabric from third countries. Alternatively, if these agreements offer QIZ-like privileges to manufacturers in Bahrain or Morocco, they will dilute the competitive advantages of Jordan in the region when they come into effect. JIB needs to monitor these developments and understand the comparative advantage that Jordan will maintain if and when such agreements are implemented.

5. **Abolition of all quotas by 2005 will eliminate advantage of quota-free benefits of QIZ program.** While anti-dumping measures or voluntary export restraints may control the flow of exports out of (and consequently the flow of FDI into) China and possibly India, quota abolition by 2005 will nevertheless improve the cost competitiveness of other low-cost exporting countries, such as Vietnam and Cambodia. This, in turn, will lessen the advantage of duty-free benefits of the QIZ program in comparison with such countries. JIB should therefore focus its promotional efforts on high FOB, high tariff products, as discussed in Section 5.1.

**6. Quick reduction in duty rates after 2004.** According to the Doha Development Agenda (DDA), quota abolition in 2005 should be followed by the gradual reduction or elimination of peak tariffs on all products, including garments. It is unlikely that tariff on garments will be reduced soon after 2005, since quota abolition is still a point of contention. Moreover, when they actually do take place, it is expected that the reduction in rates will be gradual and span over a number of years. In the unlikely event that quick reduction in tariffs does take place, Jordan's advantages will be eroded very quickly. It is imperative, then, that Jordan improves its competitiveness by upgrading the local industry (Section 5.4), instead of continuing to rely on artificial comparative advantages like market access agreements.

**7. Competition from low-cost labor countries, especially LDCs.** Starting 2005, the United States and the European Union may decide to offer LDCs duty-free entry for their products, as well as the ability to use third-country fabrics, advantages that are similar to those enjoyed under the QIZ program. No agreement has yet been reached on extending such privileges to LDCs. An article commenting on the Doha round states that "*According to the GATS (Article XIX.3), modalities need to be established for the special treatment of least-developed countries (LDCs) in the market access negotiations with a view to implementing GATS Article IV (increasing participation of developing countries) as well as to design new LDC commitments which are commensurate with their specific "development, trade and financial needs". Although such modalities were originally designed to be developed before the adoption of the Negotiating Guidelines in 2001, no agreement has so far been reached on this issue".*[16] Nonetheless, JIB should monitor developments on this front, in case they materialize in the short-to-medium term. In the meantime, it is imperative that Jordan improves its competitiveness by upgrading the local industry (Section 5.4), instead of continuing to rely on artificial comparative advantages like market access agreements.

**JIB should use such an analysis of opportunities and threats to determine target markets and marketing messages for its promotional plans, as demonstrated in Section 6. In addition, it is important that JIB continuously monitors local and international developments with regard to such opportunities and threats, and adapts its promotional plans accordingly.**

[16] Bridges Weekly Trade News Digest, Volume 7 Number 26, 17 July 2003.

# 5. Recommendations

## 5.1 Sub-sector and Niches

Analysis of Jordan's garment industry reveals that Jordan has been able to compete in mass consumer products, as well as middle market products to a certain extent, on technical abilities alone. In very few cases, certain QIZ factories were able to secure customers in the upper-middle market. Finally, Jordan has yet to develop the technical capabilities required to enter the "quick response" fashion market.

In terms of efficiency and cost of logistics services, as well as facilitation services by government agencies, Jordan would have difficulty competing in quick response and upper-middle markets, which are characterized by small orders and short lead times. Operating costs are a handicap for Jordan's garment industry in comparison with low-cost producers that cater to the mass consumer markets. They are not currently so, however, in the middle market. In the short term, therefore, Jordan must rely on artificial advantages to differentiate itself from world producers in both the mass consumer and middle markets. In the medium term, provided that all stakeholders work diligently on upgrading local technical skills and enhancing worker productivity, Jordan can gain bigger market share in the middle markets and may even start competing in the upper-middle markets.

Sub-sectors in which Jordan is able to compete are products that have high duty rates and/or high quota penalties (currently) imposed on them by importing countries and that fall into either the mass consumer (defned by relatively high FOB prices, namely over US$6) or middle market segments (defined by relatively low FOB prices, namely under US$6). Products with duty rates above 20 percent are ones that JIB should identify and target. These rates are usually imposed on garments constructed from man-made fibers, as well as selected product categories in men and boys, women and girls, and baby garments. Annex 8 includes a list of suggested product categories with high duty rates, which JIB staff can use as a reference to identify high-duty garment products. For illustration, a few examples of high-duty items are also presented in Table 5.4 at the end of this section. It is important to note that Jordan's advantage in products with high duty rates and/or high quota penalties (currently) is more distinct in the middle market segment than in the mass consumer market segment.

Three examples are provided below in Tables 5.1-5.3 to illustrate this point:

1. High FOB value product with high tariff
2. Low FOB value product with high tariff
3. Low FOB value product with low tariff

These examples compare the cost of producing a garment in Jordan with the cost of producing the same garment in two competitor countries – (1) China, representing low cost producers and (2) Turkey, representing regional competitors. In this way, these examples indicate, both in dollars and percentage points, the potential savings of producing in Jordan, due to its preferential tariff rates with the United States. It is important to note that this is a simplified model meant only to indicate the effect of tariffs on product cost structure.

Example A makes the comparison for a formal jacket made from man-made fabrics with a standard production time of 120 minutes and a duty rate of 28 percent. For this product, the cost advantage in Jordan, due to tariffs, is 15 percent over China and 50 percent over Turkey. This translates into approximately US$6 and US$20, respectively, for every suit sold in the United States. This implies that there are substantial savings for investors by producing this item in the Jordanian QIZs.

**Table 5.1: Example A (High Tariff Product with High FOB)**

| | Jordan | China | Turkey |
|---|---|---|---|
| Product: Formal Jacket Containing Man-Made Fibers | | | |
| Cost of Material and Accessories a/ | 27.5 | 27.5 | 27.5 |
| Operating Costs per Minute b/ | 0.090 | 0.059 | 0.146 |
| Standard Production Minutes per Garment a/ | 120.0 | 120.0 | 120.0 |
| Production Cost | 10.8 | 7.1 | 17.5 |
| Total Product Cost | 38.3 | 34.6 | 45.0 |
| **Tariff Rate on Product** c/ | **0.0%** | **28.1%** | **28.1%** |
| Total Tariff Cost per Product | - | 9.7 | 12.7 |
| Total Product Price | 38.3 | 44.3 | 57.7 |
| **Cost Advantage Due to Tariff (%)** d/ | | **15.7%** | **50.6%** |
| **Cost Advantage Due to Tariff (US$)** d/ | | **6.00** | **19.37** |

a/ Assume same for all countries.
b/ Tables 3.3 and 3.4.
c/ Table 5.4.
d/ Cost advantage by producing in Jordan.
Note: All costs are in US dollars.

Example B makes the same comparison for a knitted blouse made of synthetic (i.e., man-made) fabric with a duty rate of 32 percent. Although this product is constructed of relatively cheap fabric and takes only 12 minutes to produce (i.e., has low FOB), the high tariff duties of 32 percent makes the cost savings in Jordan relatively attractive. About 16 percent and 60 percent may be saved in product cost by producing in Jordan as opposed to China and Turkey, respectively.

**Table 5.2: Example B (High Tariff Product with Low FOB)**

| | Jordan | China | Turkey |
|---|---|---|---|
| Product: Knitted Blouse Man-Made Fibers | | | |
| Cost of Material and Accessories a/ | 2.0 | 2.0 | 2.0 |
| Operating Costs per Minute b/ | 0.090 | 0.059 | 0.146 |
| Standard Production Minutes per Garment a/ | 12.0 | 12.0 | 12.0 |
| Production Cost | 1.1 | 0.7 | 1.8 |
| Total Product Cost | 3.1 | 2.7 | 3.8 |
| **Tariff Rate on Product** c/ | 0.0% | 32.3% | 32.3% |
| Total Tariff Cost per Product | - | 0.9 | 1.2 |
| Total Product Price | 3.1 | 3.6 | 5.0 |
| **Cost Advantage Due to Tariff (%)** d/ | | **16.3%** | **61.2%** |
| **Cost Advantage Due to Tariff (US$)** d/ | | **0.50** | **1.88** |

a/ Assume same for all countries.
b/ Tables 3.3 and 3.4.

c/ Table 5.4.
d/ Cost advantage by producing in Jordan.
Note: All costs are in US dollars.

Example C shows the same costs for a low FOB product (knitted T-shirt made of cotton), which requires few operations in production (4 minutes) and falls under a lower tariff range (17 percent). For such a product, Jordan provides little incentive for investors to relocate their plants from China. In theory, Turkey is still a target market. In practice, however, not many producers of low-end T-shirts, who sell to the United States, are currently located in Turkey.

**Table 5.3: Example C (Low Tariff Product with Low FOB)**

| | Jordan | China | Turkey |
|---|---|---|---|
| Product: Knitted T-Shirt Made of Cotton | | | |
| Cost of Material and Accessories a/ | 0.5 | 0.5 | 0.5 |
| Operating Costs per Minute b/ | 0.090 | 0.059 | 0.146 |
| Standard Production Minutes per Garment | 4.0 | 4.0 | 4.0 |
| Production Cost | 0.4 | 0.2 | 0.6 |
| Total Product Cost | 0.9 | 0.7 | 1.1 |
| **Tariff Rate on Product** c/ | 0.0% | 17.0% | 17.0% |
| Total Tariff Cost per Product | - | 0.1 | 0.2 |
| Total Product Price | 0.9 | 0.9 | 1.3 |
| **Cost Advantage Due to Tariff (%) d/** | | **0.1%** | **47.5%** |
| **Cost Advantage Due to Tariff (US$) d/** | | **0.00** | **0.41** |

a/ Assume same for all countries.
b/ Tables 3.3 and 3.4.
c/ Table 5.4.
d/ Cost advantage by producing in Jordan.
Note: All costs are in US dollars.

## 5.2 Outlook for Future Investment

To be able to make a reasonable forecast of future FDI inflow into Jordan, a number of issues needs to be taken into consideration, such as past trends, Jordan's strengths and weaknesses, and opportunities that arise from the changing environment in which the global garment industry operates. A review of investment trends into Jordan for the last three years. (See Section 3.1 for further details.) shows that the inflow of investments from GCC countries and Central Asia has been steady and that from Turkey is on the rise. This trend suggests that investments in the short term will continue to come from these regions.

A review of Jordan's advantages, based on the SWOT analysis found in Section 4.2, suggests that investments in the medium term will come from the following:

- Companies involved in the production of garments that have a high tariff or combine a high tariff with a high FOB, regardless of the country or countries where such companies are currently operating

- Countries that are likely to lose competitive advantage due to quota abolition (e.g., GCC countries)
- Countries that will not likely obtain preferential treatment in exports to the United States (e.g., Turkey)
- Countries that are producing for middle and upper-middle markets and looking to reduce operating costs (e.g., Taiwan, Hong Kong)
- Countries that may have anti-dumping measures imposed on their exporters (e.g. India)
- Countries that are considered risky by investors (e.g., India, Pakistan)

An examination of the global market share for such countries, as a reflection of the corresponding industry size, reveals that Taiwan, India, Turkey, and Hong Kong have leading positions in world exports and, in theory, promise the greatest potential for investment.

Combining all of the above arguments, one can deduce that there are opportunities for Jordan to attract investments in markets like GCC countries, Turkey, Taiwan, India, and Pakistan. Depending on the promotional efforts that JIB decides to make in the next three years, the list of target markets can be narrowed down or expanded, and FDI inflow will vary accordingly. A forecast of future investments based on a suggested promotional plan is provided in Section 6.7. Based on recent FDI trends into QIZs, investment inflow in the range of 12 projects per year, each with an average investment value of about US$8.5 million, can be reasonably expected.

**Table 5.4: Selected High Tariff Apparel Items**

| HTS | Description | Duty Rate |
|---|---|---|
| **6103** | **Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted: Trousers, bib and brace overalls, breeches and shorts** | |
| 6103.49.10 | Trousers, bib and brace overalls, breeches and shorts<br>Of other textile materials: Of artificial fibers: Trousers, breeches and shorts | 28.4% |
| **6109** | **T-shirts, singlets, tank tops and similar garments, knitted or crocheted:** | |
| 6109.90.10 | Of other textile materials:<br>Of man-made fibers | 32.2% |
| **6111** | **Babies' garments and clothing accessories, knitted or crocheted:** | |
| 6111.30.10 | Of synthetic fibers:<br>Trousers, breeches and shorts, except those imported as parts of sets (239) | 28.4% |
| 6111.30.20 | Of synthetic fibers:<br>Blouses and shirts, except those imported as parts of sets (239) | 32.3% |
| **6112** | **Track suits, ski-suits and swimwear, knitted or crocheted:** | |
| 6112.12.00 | Track suits:<br>Of synthetic fibers | 28.4% |
| **6116** | **Gloves, mittens and mitts, knitted or crocheted :** | |

| | | |
|---|---|---|
| 6116.92.08 | Other<br>Of cotton<br>Other:<br>Made from a pre-existing machine knit fabric: Without fourchettes | 23.6% |
| **6201** | **Men's or boys' overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles (including padded, sleeveless jackets), other than those of heading 6203:** | |
| 6201.13.40 | Overcoats, carcoats, capes, cloaks and similar coats:<br>Of man-made fibers:<br>Other<br>Raincoats:<br>(boys and men) | 27.9% |
| **6203** | **Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear):** | |
| 6203.33.10 | Suit-type jackets and blazers:<br>Of synthetic fibers:<br>Containing 36 percent or more by weight of wool or fine animal hair | 22% |
| 6203.49.20 | Trousers, bib and brace overalls, breeches and shorts<br>Of other textile materials:<br>Of artificial fibers:<br>Trousers, breeches and shorts:<br>Other<br>Containing 36 percent or more by weight of wool or fine animal hair (447) | 28.1% |
| **6204** | **Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear)** | |
| 6204.33.50 | Suit-type jackets and blazers<br>Of synthetic fibers:<br>Other | 27.5% |
| **6209** | **Babies' garments and clothing accessories:** | |
| 6209.30.20 | Of synthetic fibers:<br>Trousers, breeches and shorts, except those imported as parts of sets (239) | 28.8% |

### 5.3 Measures to Counter Disinvestment

Disinvestment to date has been little in the QIZ garments sector, amounting to less than 7 percent according to figures from MIT and JIB. Reasons for disinvestment were related to mismanagement or loss of market share after the events of 11 September 2001. None of the reported disinvestment cases were due to QIZ regulations or Jordan’s business environment. In the luggage sector, however, China’s exports grew by 600 percent in the year after quotas were abolished for that sector. For this reason, the threat of disinvestment from QIZs when quotas are eventually lifted on garments cannot be ignored.

At that time, it is expected that disinvestment will come from those investors manufacturing low FOB products with relatively low tariff rate (i.e., those that were attracted to Jordan solely due to quota exemptions in the US market). The incentive of tariff exemptions alone are not sufficient for such companies to stay in Jordan, especially since operational costs in Jordan are quite high in comparison with low-cost producers (i.e., those catering for the mass consumer market). (See Table 5.3 for further details.)

It would be difficult to come up with a strong argument to retain low-cost manufacturers, who are in Jordan solely for quota exemptions, after the elimination of all quotas, as other comparative advantages offered by Jordan are not particularly interesting to mass market manufacturers, with the exception of duty exemptions. Jordan can counter such disinvestment in two important ways. First of all, it can move, through targeted promotion and industry upgrading, into higher value products that will remain competitive after quota abolition. Second, it can provide training to local workers in those companies to upgrade their skills, so that new factories setting up in Jordan would consider them for employment instead of hiring foreign workers.

**JIB, MIT, and MOL should identify the companies that may potentially relocate out of Jordan after the elimination of quotas and should determine the number of employees that may be affected by such disinvestments. Moreover, a plan should be put in place to ensure that affected workers are prepared to be hired by new factories setting up in Jordan.**

## 5.4 Constraints and Remedies

Interviews with players in the market, meetings with relevant staff in line ministries, and discussions with consultants from donor agencies, in addition to conclusions drawn from the SWOT analysis, revealed a set of constraints that affect or may affect the growth of the garment industry in Jordan, as well as the ability to attract investors to QIZs. The main constraints identified are listed below along with their perceived level of impact on the industry, as measured by their relevance to the relocation motives listed in Section 4.1. Impact levels are divided into three categories: A, B, and C. Category A denotes the highest impact on the growth of the industry.

**Table 5.5: Garment Industry Growth Constraints**

| Constraint | Level of Impact |
|---|---|
| Unavailability of local workers | A |
| Lack of skilled workforce | A |
| Lack of proper training programs to upgrade skills | A |
| Attitude of local workforce (i.e., lack of commitment) | A |
| Inefficiency in Customs procedures | A |
| Inefficiency of facilitation services | A |
| Inefficiency of processing foreign workers' work permit applications | A |
| Ability to achieve/prohibitive cost of 8% Israeli input requirement per QIZ regulations | A |
| Port delays | B |
| Lack of focal point to address foreign investors' concerns | B |
| Labor costs | B |
| Sudden increases in utility costs | B |

| | |
|---|---|
| Transportation costs | B |
| Lack of transparency in regulations pertaining to foreign workers | B |
| Competition from regional countries seeking FTA with the United States | B |
| Competition from countries currently upgrading their technical capabilities | B |
| Lack of water for industrial use | C |
| Lack of design capabilities | C |
| Note: Category A denotes the highest impact on the growth of the industry. | |

Within Category A, factors can be divided into three groups:
1. Worker issues
2. Investor service issues
3. QIZ regulation issues

Factors under Category B can be divided into four groups:
1. Port issues
2. Operating cost issues
3. Investor service issues
4. Competition from other countries

Category C includes (1) water issues and (2) design issues.

**1. Worker Issues.** The government is aware of worker availability and skills issues, and has recently embarked on a national program to develop local skills in the garment industry. The main features of this program are as follows.
- One-year program (August 2003-July 2004)
- Training planned and managed by Tunisian company
- 4,000 trainees to be trained during program
- 100 trainees to receive extensive training to become trainers

Another program is being implemented by the VTC with support from EJADA. The VTC center in Abu N'Sair, Amman is the first center chosen to launch the program. Training courses will be replicated in other VTCs around the country. The specific features of this program are as follows.
- Courses will cover sewing, management, and design functions
- Commercial activities are planned to start in October 2003
- Each class is designed for 12-15 trainees

We recommend that training programs for sewing operators include a module on work ethics, focusing on the rights and responsibilities of workers and employers, as well as a module on the expectations investors have about productive and committed employees.

**2. Investor Service Issues.** The main complaint about investor services is a lack of efficiency and transparency in processing applications.

In response, we recommend the following:
- That the Jordan Authority for Economic Development (JAED) Initiative be implemented as soon as possible, as the rationalization of public investment

institutions will improve efficiency and reduce overlap in the jurisdiction of each institution.

- That approved government regulations regarding foreign employment are implemented efficiently, yet strictly, in order to avoid abuse by both government employees and investors.

**3. QIZ Regulation Issues.** The government is currently negotiating with Israeli authorities to reduce the 8 percent input requirement from Israel. Initial indications are positive, especially on higher FOB value products. We recommend that the government provide assistance to individual QIZ companies in Jordan to guide them on the rules of origin required under both QIZ and FTA regulations, since the FTA may already be more viable than the QIZ in achieving conditions for rules of origin for certain products.

**4. Port Delay Issues.** Investors reported delays in recent months, which are attributable to the increased traffic to Iraq through Aqaba port. Solutions to this issue require investment in infrastructure to increase capacity, as well as improvement in operations management at the port to increase efficiency. The government, through ASEZA, is investigating options to address these issues, one of the options being renting loading/unloading equipment to increase the capacity of the port.

**5. Operating Cost Issues.** These include labor minimum wage, utility charges, and transportation fees. We recommend that JIB lobby government regarding the risks of losing FDI due to increases in operating costs. This can be achieved by comparing costs with competing regional countries and demonstrating that further increases in such costs would tip the balance in favor of regional countries in terms of attractiveness as an investment location.

**6. Competition from Other Countries.** Competition, either from those countries that are either seeking FTA agreements with the United States or from those countries that are working on upgrading on their technical skills in the garment industry, threatens Jordan's garment industry. These threats emphasize the need to implement remedial actions to improve Jordan's chances in attracting FDI, as discussed in Section 4.2.

**7. Water Issues.** This specifically pertains to the use of water for industrial operations (e.g., washing). We recommend that JIB identify companies in Israel that are willing and able to provide washing facilities for Jordanian QIZ companies. The costs involved in this process go towards the 8 percent Israeli input required by QIZ regulations.

# 6. Three-year Promotional Strategy

## 6.1 JIB Promotional Capacity Assessment

Following is a summary of findings about JIB capacity to promote the garment sector, based on meetings with the JIB promotional officer responsible for that sector. Annual promotion plans are prepared by the promotion officer, based on his/her knowledge of upcoming national promotional events. Plans for individual sectors are grouped by the department head and submitted to top management. Such plans are approved and/or amended mainly for budgetary constraints. Performance indicators are not an integral part of the approved plans. Approved plans may change drastically during the course of the year in reaction to events (e.g., incoming or outgoing missions) organized by other government institutions.

The following general recommendations will provide a more focused approach for the department and should provide the required reasoning for securing funds for the department. (See Annex 15 for general guidelines on planning investment promotion activities.)

- Use team effort and brainstorming when formulating promotional strategies
  - Ensure exchange of ideas by team members
  - Create budgetary savings by grouping activities
- Include key performance indicators as integral part of budget
  - Help officers focus on activities that will enable them to achieve objectives set in the budget
  - Help officers argue against functions that are not in line with department's objectives
- Adopt clear promotional template/master plan for department
  - Standardize process of budget preparation
  - Facilitate easy comparisons between budget and actual performance for same budgetary period, as well as different budgetary periods
- Train staff on several promotion related tactics
  - Sector knowledge and research capabilities (to identify and reach potential investors directly)
  - Targeting as a promotion tool (to focus on niche market segments across different sectors, rather than focusing on the sector as such)

## 6.2 Core Messages

The most powerful elements of Jordan's advantages are market access agreements, fabric sourcing flexibility, and investment/tax incentives. Track record of exiting investors adds credibility to Jordan's claim as a preferred location for garment investors. Following is a suggested version of the core promotional message that JIB might employ throughout its promotional work.

*Jordan's market access agreements and investment/tax incentives enable investors full access to the world's largest market (United States) free of duties or quota for garment products made in Qualified Industrial Zones (QIZ) from fabric sourced from anywhere in the world. Profits derived from export operations are exempt from income tax and maybe fully repatriated out of the country.*

*Over 60 international investors have already invested in Jordan and benefited from privileges offered under its QIZ program.*

## 6.3 Principal Selling Points

Based on the SWOT analysis in Section 4.2, the elements that differentiate Jordan from competing locations can be summarized as follows:

- Duty-free entry into the United States under QIZ program
- Quota-free entry into the United States under QIZ program
- Duty-free entry into the European Union under Jordan-EU Association Agreement
- Graduated duty-free entry into the United States under Jordan-US FTA
- Favorable investment and tax regulations (i.e., zero income tax on exports and full repatriation of profits)
- Allowance of third-country fabric sourcing under QIZ program
- Adequate infrastructure for garment industry (i.e., roads, electricity, communication)
- Successful track record over the past four years by both local and international investors
- Ability to jump-start operations with experienced foreign workers

Other selling points that are dependant on target markets are as follows:

- Proximity to United States and Europe (Far East Asia)
- Potential for cumulation of rules of origin for export to Europe (Turkey)
- Country stability (relative to AGOA countries and Pakistan)
- Operating costs (Taiwan, Hong Kong, and South Korea)
- Logistics and facilitation services (relative to China)

The relative importance of the above points depends on the target market under consideration for a specific investment promotion event. Thus, if an outward mission to Dubai is planned, cost differentiation is not relevant, while quota-free and duty-free exemptions are crucial. When targeting Taiwanese or South Korean companies, by contrast, cost savings become relatively important, as do infrastructure and proximity to the US market, relative to China.

## 6.4 Target Markets

In Section 5.2, GCC countries (mainly the UAE), Taiwan, Turkey, India, and Pakistan were identified as potential targets for FDI attraction into Jordanian QIZs. These countries are listed below, along with their level of priority for investment promotion. The table is followed by the rationale used to arrive at the priority level for each country. Other countries that may be considered as target markets are China, Hong Kong, and South Korea, three of the top five garment exporting countries.

**Table 6.1 Potential FDI Target Markets**

| Country | Priority Level |
|---|---|
| Turkey | A |
| UAE | A |

| | |
|---|---|
| Taiwan | A |
| India | A |
| Pakistan | B |
| Hong Kong | B |
| South Korea | B |
| China | C |
| Note: “A” denotes highest level of priority. | |

Turkish garment manufacturers are losing hope of receiving QIZ preferences and have shown interest in Jordan as an alternative to enter the US market. This interest, combined with Turkey’s leading position in world exports, make this market a lucrative target for FDI attraction in the very near future that must be capitalized on before Turkish investors find other viable alternatives.

Quota exemptions may expire after fewer than 15 months, eroding the advantages of being located in the UAE and forcing investors there to find more competitive locations for their investments soon. For this reason, there has been a recent trend of FDI from that country. It is important to capitalize on this opportunity and nascent trends by promoting the attractive alternative that Jordan offers, both in the market access advantages it provides and in its proximity to that market. Such promotion is facilitated by the fact that the UAE is a close market (physically and culturally), making frequent trips by JIB staff and potential investors convenient.

Taiwan is a large market with relatively high operating costs. Jordanian QIZs offer the advantages of a lower operating costs, and market access arrangements with the world’s largest markets. Moreover, given that China has agreed to voluntary export restraints with the United States until 2008, investors from Taiwan would probably postpone plans to relocate to China until that date.

India is a large garment exporter with no preferential market access arrangements with the United States or the European Union In addition, a few Indian investors have already setup in Jordanian QIZs, a fact that can be used as a selling point in JIB’s promotional efforts to that market. Moreover, India may face anti-dumping measures by US and EU lobbies after the abolition of quotas in 2005. JIB staff may exploit this point when approaching investors from that country, promoting Jordan as a viable alternative since it is exempt from quotas.

Pakistan has similar industry characteristics to India. However, it has a smaller share in the global market, implying that the number of players in that market is smaller than in India. In theory, therefore, Pakistan holds less potential for success in FDI attraction than India.

Hong Kong and South Korea are leading exporters of garments. For this reason, they are important countries to target for investors. Manufacturers in these two countries generally specialize in upper middle and luxury items, since they cannot compete in the mass consumer market due to their prohibitive operating costs. Lack of skilled labor in Jordan may be a handicap in trying to attract investors on a large scale from these two markets at this time.

China is also a leading garment exporter, especially in the mass consumer market. In the past, Chinese investors have shown interest in Jordan as a quota-free location for exports to the United Stats. There is still potential to attract Chinese investors based on that premise, especially since has agreed to impose a voluntary restraint quotas on its exports to the United States until 2008. Relatively high operating costs and the unavailability of sewing workers, both of which are important factors for producers to the mass consumer market, are barriers to large-scale success in attracting Chinese manufacturers to Jordan.

### 6.5 Target Investors

Companies that have invested in the Jordanian QIZs have been on average about US$8.5 million in size and employed on average 850 employees per plant. The type of foreign companies that have invested in Jordan have also included ones that are as small as US$1.0 million dollars in size. It is not recommended to pursue such small companies in the future because their financial means might not allow them to make the initial investment required for relocation/expansion. Furthermore, their financial sustainability once in Jordan might be questionable, especially when market fluctuations are severe, as was the case after 11 September 2001. Moreover, the ease with which a company can relocate, due to the size of the investment that it makes, and therefore the likelihood of its quick exit from Jordan in the future are concerns that need to be taken into account when dealing with small companies.

Bigger companies are more likely to have international exposure. In the garment sector, this is common as companies move or expand their operations depending on global changes in quotas, tariffs, and investment incentives. For the promotion officer, it would be an easier task to convince a company that has experienced relocation in the past to relocate or expand in Jordan. Therefore, it would be wise for JIB to focus staff attention on bigger companies.

In the near future, the size of companies sought should be similar to ones that have already invested in Jordan. These are mainly CMT companies. As Jordan's competitiveness increases in the middle market segment, the size of investments in Jordan should increase, due to the cost of more sophisticated design, cutting, sewing, and embroidery equipment.

A brief profile of companies that would be potential targets for FDI attraction is presented in the following table.

| **Table 6.2: Profile of Target Investors** | |
|---|---|
| Project Size (including buildings) | > US% 5,000,000 |
| Employment | > 500 workers |
| Markets | > 50% of exports to the US market |
| Tariff on products | 17% minimum. Preferably > 20%. |
| FOB price of product | > US% 6 minimum. Preferably > US$ 10. |
| Product fabric | Man-made fabrics and wool (to a certain |

| | |
|---|---|
| | extent) |
| Typical product categories | Jackets, trousers, baby's clothing, formal shirts, "higher value" polo shirts |

## 6.6 Promotional Approaches

The ultimate promotional goal is **investor site visits**. Creating opportunities for site visits can be maximized by convincing the "right" investors of the advantages that Jordan has to offer. Identifying priority markets and profiles of investors likely to be interested in Jordan is the first step in the focused promotional process, known as "targeting." Subsequent steps are explained below. (See Sections 6.4 and 6.5 for further details.)

**Research and Profiling** Using industry and market- or region-specific databases, free or paid web sites, and contacts with relevant industry organizations, the investment promotion officer can generate "leads" about potential investors. Leads is the critical term, as the objective at this stage is to start collecting as much information on different investors in selected markets or regions as possible, regardless of the quality of the information.

Other sources of information to generate leads and to build on those obtained from initial research could be commercial attachés in target countries, chambers of industry, industry-specific associations, and personal contacts with investors from the particular target country who are already operating in Jordan.

For the garment industry, suggested resources for lead generation include the following.

- Databases. Examples include Business Browser, Company Insite, and Apprel Browser. (See Section 6.10 for further details.) In addition to databases, selected online providers of industry news can be used. Examples include BharatTextile.com, which is dedicated to the news of apparel and textile industries in South Asia.
- Companies already operating in QIZs, whose owners/managers are from priority markets for JIB promotion. A selected list of such companies is provided in Annex 3.
- Associations and information providers in target countries. Examples include Taiwan Sweater Industry Association (Taiwan), Indian Apparel Portal (India), Export Promotion Bureau (Pakistan), and Business in the UAE (UAE).
- Major apparel buyers sourcing from the region. There are a number of offices located in the region that supervise the procurement of garments for major brand names in the United States and Europe. Educating regional buyers in the benefits (savings) that can be achieved by sourcing from Jordan will encourage such buyers to recommend that their preferred suppliers setup production facilities in Jordan. Examples of such buyers are J.C. Penny, The Gap, Federated (Macy's), and Marks and Spencers. Such buyers are well-informed in the comparative advantages of sourcing from different locations. So, focused preparations need to be made before approaching buying offices.

In some cases, the investment promotion officer would have collected enough information about selected investors to build a brief profile on their companies, highlighting their strengths and weaknesses and identifying the selling point that is most relevant to their needs. In many cases, further steps are required to complete this information.

**Correspondence and Missions** The next step is preparing to contact potential investors. Such contact can be made through introductory letters, introduction through industry associations, or by invitation to attend functions hosted by the investment officer in the target country. Although starting with introductory letters seems to be the most logical starting step in theory, a simultaneous combination of these approaches often takes place in practice.

Introductory letters must achieve the following:

- Demonstrate credibility
- Highlight Jordan's advantages
- Address the investor's potential concerns
- Be concise (Investors have little patience to read general mail and constantly receive mail from similar agencies in other countries.)

Where possible, it would be very beneficial to mention the name of person/agency that furnished the investor's name to the investment officer.

A typical introductory letter would include the following elements:

- Source from which name of contact person was obtained and officer's relationship with that source.
- Mention of the benefits that the contacted company will gain by setting up in Jordan. The benefits should, at least, include the main selling points relevant to the country in which the company operates. More effective letters are ones that include specific remedies for the particular organization by moving to Jordan (e.g., market access constraints, high operating costs, low profit margins). Awareness of such specific constraints comes from research via databases and other sources, as stated above. (See Sections 6.2-6.4 for further details.)
- Mention of other companies from the same market who have already invested in Jordan.
- Introduction to JIB and its role as facilitator in the setup process.
- An indication of next steps (e.g., follow-up call by JIB officer, invitation to an event planned by JIB).
- An enclosure of JIB's sector brochure. (See Annex 13 for further details.)

By this stage in the process, the investment officer is trying to build a relationship with the investor. Therefore, any reply from the investor (in whatever form) must be responded to without delay, in order to build on the interest generated by the introductory letter. On most occasions, investors do not reply to introductory letters, and follow-up letters or phone calls must be made in the hope of instigating a reaction from the contacted investors. Follow-up letters could discuss developments in the garment industry affecting Jordan or the investor, as well as events that are planned in Jordan, the region, or the investor's market.

Following is a list of suggestions for topics to be used in follow-up communications:

- Developments on ATC expiration

- Success stories of selected companies operating in QIZ Jordan
- Stories of companies who have recently located to Jordan
- Actions by Jordanian government to improve the investment environment in Jordan
- Events planned by JIB in Jordan or target market
- Developments in the performance of the specific company (if available)

Once a number of investors in a certain market has been identified and contacted and/or relationships have been built with associations located in that market, the time is ripe to execute a promotional mission. First-time missions include sector-specific seminars conducted by the investment officer (an industry expert might accompany the investment officer for support during these seminars), followed by introductions to the audience and exchange of business information. This typically takes place over dinner hosted by the promotion agency. One-to-one meetings are planned for the days that follow the seminar, during which the promotion officer has the first real chance to meet investors and convince them of the benefits Jordan has to offer. This is a very critical function in the process. Thus, the promotion officer must acquire the necessary persuasion and presentation skills to guide the investor to find real value of the Jordanian option. Follow-up missions might be required before any of the investors met on the first trip are convinced to visit Jordan.

**Site Visits and After-care** When an investor decides to visit Jordan, little must be left to chance. Therefore, the promotion officer needs to accompany him/her throughout the trip, ensuring that all questions and concerns are answered and that a positive impression of Jordan and the QIZ is given. Not every investor who visits will ultimately invest. However, this should be the goal of any promotion officer.

The relationship between the investor and the officer continues even during the setup stage of the project, when the officer acts as facilitator to expedite the processing of all requirements on behalf of the investor. In selected QIZ areas, a representative of the zone manager performs all registration and permitting functions on behalf of the investor to ensure no difficulties with the process.

### 6.7 Annual Investment Targets

Based on the existing level of FDI in the QIZs and a focused promotional plan that targets in selected markets companies of similar size to ones already in Jordan, annual investments are expected to increase substantially, as indicated in the table below. The following assumptions were made to arrive at the listed figures.

- 50 percent increase in new projects in Year 1 of promotional plan implementation over the existing average (i.e., 12 per year) and an annual increase of 15 percent in the following years
- Size per project increases by five percent every year
- Expected employment per project increases by ten percent every year
- JIB undertakes an outward promotional mission for the garment sector once every two months (i.e., six trips per year)

| Table 6.3: Investment Targets | | | | |
|---|---|---|---|---|
| | **Average FDI (1999-2003 June)** | **Year 1** | **Year 2** | **Year 3** |
| **Number of Projects** | 12 | 18 | 21 | 24 |
| **Size per Project (US$)** | 8,500,000 | 9,000,000 | 9,400,000 | 9,800,000 |
| **Employment per Project** | 600 | 625 | 725 | 800 |
| **Total Employment (Local & Foreign)** | 7,200 | 12,150 | 15,225 | 18,200 |
| **Total Investment (US$)** | 102,000,000 | 162,000,00 0 | 197,000,00 0 | 235,200,00 0 |

## 6.8 Resource Requirements

In order to achieve the above targets, JIB needs to have the following resources in place.

**Personnel** One full-time garment investment promotion officer (GIPO) who is dedicated to investment promotion functions directly related to the garment sector. One part-time investment promotion officer to serve as backup during the time the GIPO is on outward missions or hosting potential investors in Jordan. One part-time researcher to use the necessary databases and other research tools to identify potential investors.

**Research Tools** A database on the garment industry that provides information on trends, agreements, and latest developments in the sector, as well as general information on public companies is required. Databases on selected regions, which have more specific information on associations and companies operating in that region, as well as sector-specific publications on the industry, which include technical and market trend-related articles, are also helpful. These are usually obtained through monthly subscriptions.

**Financial Resources** JIB needs to allocate a set annual budget for garment promotion activities and expenses. The budget should cover airfare and costs associated with six outward missions, subscriptions to databases, investor site visit expenses, and communication costs. The following table has estimates of budget required per function.

| Table 6.4: Annual Promotion Budget | | | |
|---|---|---|---|
| **Function** | **Unit** | **Cost/Unit (US$)** | **Total** |
| Outward Missions | | | |
| Tickets | 1 | 1,000 | 1,000 |
| Accommodation and travel expenses per day | 7 | 300 | 2,100 |
| Other costs: presentation material, equipment rental, seminar hall and restaurant expenses | 1 | 2,000 | 2,000 |
| Subtotal | | | 5,100 |
| Total number of outward missions | 6 | | |
| Total outward mission costs | | | 30,600 |
| Databases | | | 20,560 |
| Magazine and site subscriptions | | | 615 |
| International Communication Expenses | | | 2,000 |
| Site visit expenses in Jordan (logistics, etc.) | | | 1,500 |
| **Total Annual Expenses (US$)** | | | **55,275** |

## 6.9 Knowledge Requirements

JIB promotion staff need continually to improve their skills, in order to be able to compete with investment promotion officers from investment promotions agencies around the world, all of whom are trying to reach and attract a similar group of investors in each sector. Areas in which the GIPO need to be competent are industry knowledge, research and investor identification, targeting, effective communication with investors, presentation, and preparation for and execution of promotion missions.

## 6.10 Relevant Information Sources

***Databases***

Following is a description of a number of paid databases that are useful for gathering market and company-specific information. The first two are based on annual subscriptions, while the last two are based on monthly subscriptions. It is recommended that the GIPO request a free trial period (usually around two weeks) to try out the modules in each the first two databases to determine which one is more useful to JIB's promotional needs.

*Business Browser* from OneSource Information Services, Inc. is a web-based information tool that integrates comprehensive and up-to-date business and financial information on over one million public and private companies, drawing on information from more than 25 information providers and over 2,500 sources of content. These sources include both textual information, such as news, trade press, executive biographies and analyst reports, as well as numeric information, such as company financial results, stock quotes, and industry statistics. This database is available in various editions, with the Europe and Asia Pacific (the most relevant to JIB) covering over 500,000 and 260,000 companies respectively. The annual subscription fee for this database is US$20,000 for the European edition, which includes ample information on European, Middle Eastern, and Asian companies. More details and sample screens on this service can be found at
http://www.onesource.com/products/content_107.asp

*InSite* offers the latest news and in-depth analyses reported in the trade, business, and popular press – "competitive intelligence that helps makes key business decisions." There are several modules within this family of products, including *Business InSite, Market InSite, Consumer InSite,* and *Company InSite,* each offering a different focus on a wide variety of indicators and analyses. The annual subscription fee for this database is US$5,200. Further details on this service can be found at: http://www.iac-insite.com/about.htm

*Apparel Browser* is a company research and business information tool for the apparel industry. It offers advanced company intelligence information on over one million public and private companies worldwide, with extensive information on hundreds of apparel companies. There are up to 36 types of business information for each company, including comprehensive biographies, company chronology, company history, contact information, employee counts, industry overview, and so on. Subscription rates are currently at US$29.95 per thirty days.

*World Market Watch, Inc.* is a software tool designed to simplify business intelligence gathering and houses information on over one million companies, with up to 33 different types of business information on each company. It contains access to industry-specific products as well as country-specific reports. Subscription rates are currently at US$29.95 per thirty days.

***Publications***

Publications specific to the garment industry were identified through web research. A brief description of each publication is provided below. The first is essential reading for the GIPO, while the second is optional, based on budget availability and interest in financial indicators.

*Apparel* (formerly *Bobbin Magazine*) is the leading business-to-business publication for the apparel industry. Written for executives and top managers, it addresses key business, technology, and operations issues. Key articles include Product Development and Design; Sourcing and Manufacturing; Merchandising and Sales; Information Systems; and Distribution and Retailing. Subscription rates (airmail only) are currently US$190 a year.

*The Apparel Strategist* is a monthly business journal for the apparel and textile industries. It includes news and analyses on industry trends, as well as vital statistics. The journal is organized into seven sections containing graphs, tables, and commentary on: Retail, Consumers, Trade, Supply Side, Financial Markets, Company Spotlight, and Outlook. Subscription rates are currently at US$425 a year for either print **or** e-mail; and US$525.00 for both print **and** e-mail.

***Associations***

Annex 10 includes a comprehensive list of garment and textile associations around the world, including region- and country-specific associations. A number of associations in Taiwan, Turkey, India, Pakistan, Hong Kong, and China are included in the list. The list summarizes the area of focus of each association and its internet address.

***Web sites***

A number of useful sites were collected through desk research. They are summarized in Annex 9, which has details on the organization, URL, site description, and status (free of charge or subject to fee). The sites are grouped in categories (themes), namely Egypt, Hong Kong, Taiwan, India, Pakistan, UAE, Country-Specific Trade/Industry Data and Economic Indicators, Labor Laws and Issues, and Miscellaneous.

**ANNEX 1: Scope of Work**

**Scope of Work: Specific Tasks of the Consultant(s)**

| | |
|---|---|
| Activity: | 513.1.1 Investor Targeting Strategy |
| SOW Title: | Investment Promotion Sectoral Strategy: Garments |
| Modification: | Original |
| SOW Date: | 8 June 2003 |
| SOW: | Final |
| Total LOE: | 15 |
| Task and Consultant: | LOE/D/Investment Promotion Sectoral Strategy: Garments<br>JID/Al-Jidara |

## I. Specific Challenges Addressed by this Consultancy

Textiles and clothing have traditionally been a strong driver of foreign direct investment (FDI) and export growth for many developing countries, and Jordan is no exception. From 1996 through 2002, Jordan has attracted nearly US$400 million in total investment in the textile and clothing sector, almost entirely in the Qualified Industrial Zones (QIZ), representing about 14 percent of Jordan's total industrial investment during the period. This sector has one of the highest proportions of FDI to total investment, amounting to about US$287 million or 74 percent of the total. Jordan's exports to the United States have increased from US$30.9 million in 1999 to US$412.2 million in 2002. Most of this increase is attributable to the surge in investment in and exports from the QIZs, almost all of which has been in the apparel industry. QIZ clothing exports accounted for about 22 percent of Jordan's total exports in 2002, and roughly 10 percent of total industrial sector employment. The future prospects of the textile and clothing industry worldwide and in Jordan will therefore have a tremendous impact on Jordan's future FDI promotion strategies.

The expansion of textile and garment production in developing countries has been motivated by two overriding concerns: 1) the search for low-cost production which, because of the labor-intensive character of garment manufacturing, means a search for cheap labor; and, 2) the search for market access, driven mainly by the Mutifibre Arrangement (MFA) system, which allocates import quotas to countries in the developing world, and its successor framework under the WTO, the Agreement on Textiles and Clothing (ATC).

Apart from Egypt, which has a large domestic market and an important cotton-producing industry, and which remains a low-wage country, the garment industry in the Middle East and North Africa (MENA) region owes its existence to the MFA. In the 1980s, the United Arab Emirates (UAE) developed a significant garment industry, motivated by unused quota for exports into the US market, fuelled by investment from South and East Asia, and staffed by workers from the Indian subcontinent. The Moroccan and Tunisian garment industries developed in response to those countries' preferential access to EU markets, but have recently declined as Turkey and countries in East and Central Europe have benefited from similar or even more favorable market access conditions. Owing to liberalization of EU market access for Turkish products, Turkey's apparel exports more than doubled from US$3.4 billion in 1990 to US$7.3 billion in 1998.

Israel developed a substantial textile sector owing mainly to free trade agreements with both the United States and the European Union; however, the high cost of labor in Israel has rendered the Israeli textile industry largely uncompetitive even with the quota and duty preferences conferred by its Jordan-US Free Trade Agreement (FTA). Investment in Israel's textile industry has declined precipitously, with many Israeli companies instead investing in Turkey and the Israel-Jordan QIZs. Outside the region, Mexico, which in 1990 exported US$100 million of textiles and apparel, by 1998 was exporting some US$7 billion under the North American Free Trade Agreement (NAFTA).

Jordan's own textile and apparel industry owes its existence almost entirely to the US-Israel-Jordan QIZ regime, which allows quota-free and duty-free access to the US market for textile products containing at least 8 percent Israeli content and a minimum of 35 percent Jordanian and Israeli content combined.

The critical question for the Jordanian textile sector is what will happen as the world textile trading regime changes, as it will do as of January 1, 2005. As of that date, the ATC will end and the entire system of import quotas for textile products will disappear. This will be the final step of a four-phase progressive reduction of quotas. It is instructive to examine what has happened since January, 2002, when the third phase of quota elimination came into effect: China's apparel exports to the United States grew by 15 percent, even as overall US imports fell by more than 11 percent. As the remaining quotas disappear, China's dominance is certain to increase. Other low-cost producers, including more than 20 African countries that already benefit from duty-free access for a wide range of textile products under the Africa Growth and Opportunity Act (AGOA) and which are also very low-wage producers, may also be expected to increase their market share at the expense of other, more costly production locations.

The system of preferential tariffs will not change immediately, although under WTO rules and agreements, these are to be reduced to more "normal" levels over time. In the absence of any firm commitment on reduction on tariffs, it is certain that tariffs imposed by European and North American countries on textile imports will remain high, thus perpetuating a significant advantage enjoyed by Jordan and other countries that have free trade agreements with the United States and Europe. MFN tariffs on clothing imports range between 9 percent and 13 percent for the United States and between 10 percent and 12 percent for the European Union (the average EU and US tariffs on manufactures is about 4 percent). Thus, even after January 1, 2005, Jordanian garment manufacturers will continue to benefit from an average 12 percent cost advantage over countries that export under MFN status. The question is whether this advantage is sufficient, in view of transport and labor costs and labor productivity, for Jordan to remain competitive.

The abolition of the ATC will lead to greater competition in textiles and apparel as highly efficient manufacturers no longer face artificial constraints (i.e., quotas) on their exports to major markets. This implies that certain countries, whose sole export advantage lies in the quota system, will face loss of most of their textile industries within a fairly short time. This is almost certain to be the case for manufacturers in the GCC countries, including UAE and Bahrain.

The imminent abolition of quotas on textile products will certainly involve increased competition and increased volumes of products from China in major markets, with a strong probability of reduced prices. It is not certain how this may affect Jordan. Even with a 12 percent cost advantage conferred by the QIZ tariff concessions and, in subsequent phases, similar advantages from the Jordan-US FTA, it is far from certain that Jordan can compete with China or other low-wage and highly productive countries such as Vietnam. For Mauritius, a middle-income country in which apparel remains a mainstay of the economy, the impact of abolishing MFA quotas is estimated at a decline in apparel exports of 18 percent to 26 percent.

The follow-on question is whether, even if Jordan can compete with such countries, it should try to do so, since the sector as a whole will face falling wages. The quotation above, notes that this problem is most acute for middle income countries such as Jordan, which have not yet succeeded in diversifying and upgrading into more skill-intensive manufactures, and which, consequently, “may face a squeeze between the top and bottom ends for manufactures.”

Viewed solely in terms of cost, Jordan is unlikely to be able to compete effectively with the likes of China or Vietnam. On the other hand, governments in Europe and especially the United States are likely to initiate and enforce anti-dumping measures and other non-tariff barriers against the larger countries, especially those with which it has no preferential trade agreements. There are many examples of this happening even in advance of the expiration of the ATC. Nevertheless, just as the garment industries in Mexico and the Caribbean/Central America region – all middle income countries with preferential access to US clothing markets – will suffer from the abolition of quotas, so too will Jordanian manufacturers.

Jordan can possibly exploit the 18 months or so remaining under the ATC quota system to attract additional FDI into the QIZs. It is unlikely that investors, having made a significant commitment to building production capacity in Jordan, will disinvest in the near future. However, in light of the profound changes occurring in the global apparel industry, it seems doubtful that Jordan can experience the same pace of growth in FDI over the next several years that it has experienced recently.

## II. Objective of this Consultancy

The primary objective of this consultancy is to work together with JIB to evaluate Jordan’s competitive position in the garment industry, especially in light of the changing competitive landscape of that industry, and develop an appropriate three-year inward investment promotion strategy.

The secondary objective of this consultancy is to develop a model promotional strategy for JIB, upon which subsequent strategies can be based.

## III. Specific Tasks of the Consultant

Under this Scope of Work, the Consultant(s) shall perform, but not be limited to, the tasks specified under the following categories:

**A. Background Reading Related to Understanding the Work and Its Context.**

Consultant shall read, but is not limited to, relevant sections of the following materials
to fully understand the work specified under this consultancy:

- **PM/D, and senior Consultant**
  1. AMIR Report "Jordan Investor Targeting Strategy 2003" (May 2003)
  2. AMIR Report "Investor Promotion Strategic Plan" (June 1998)
  3. Someya, Masakazu, Hazem Shunnar, and T.G.Srinvasan. "Textile and Clothing Exports in MENA: Past Performance, Prospects and Policy Issues In Post MFA Context," World Bank (August 2002)
  4. Desai, Mihir. "Review of Global Trade and Investment in Apparel: Implications for Africa," Multilateral Investment Guarantee Agency, World Bank (August 2002)
  5. AMIR Report "A Sustainable Institutional Framework for Investment Promotion and Enterprise Development in Jordan" (June 2002)
  6. AMIR Report "A Sustainable Trade and Investment Strategy for Jordan" (May 2002)
  7. Investment Task Force. Relevant sector studies. (January 2002)
  8. AMIR Report "Baseline Efficiency Review Update, Annex C" (January 2000)
  9. AMIR Report "QIZ Labor Study" (February 2001)
  10. AMIR Report "Investment and Export Promotion- Conduct a Human Resources Audit of JIB, JEDCO, JIEC, and FZC" (April 2002)
  11. AMIR Report "JIEC Market Demand Study for Serviced Industrial Estates (April 2002)
  12. AMIR Report "The 2002 Investor Roadmap of Jordan" (October 2002)
  13. AMIR 2.0 Technical Proposal

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**.B. Background Interviews Related to Understanding the Work and Its Context.**

The Consultant shall contact personally, by e-mail, or by telephone the following individuals in order to fully understand the work
specified under this consultancy:

- **PM/D**
  1. Greta Boye, PSPI Team Leader, AMIR Program
  2. Barry O'Connell, Investment Promotion Advisor, AMIR Program
  3. Brad Fusco, Investment Promotion Advisor, AMIR Program
  4. Rami Al-Qusus, Policy Analyst, AMIR Program
  5. Aref Al Farra, Policy Analyst, AMIR Program
  6. Geoff Wright, Trade & Market Access Advisor, AMIR Program
  7. Naseem Rahahla, Director of the Competitiveness Unit, Ministry of Planning
  8. Reem Badran, Director General, Jordan Investment Board

9. Sana Abadi, QIZ Promotion Officer, Jordan Investment Board
10. José Ceron, Investment Promotion, ATASP
11. Louay Khatib, Director, Business Development & Marketing Directorate, ASEZA
12. Representative foreign and domestic textile and garment investors
13. Representative public and private Qualified Industrial Zone operators
14. Jamal Al-Jabiri, Project Management Specialist, USAID

**C. Tasks Related to Achieving the Consultancy's Objectives.**

The Consultant shall use his education, considerable experience, and additional understanding gleaned from the tasks specified in A. and B. above to:

- **PM/D and Senior Consultant**

**1. Establish Context**

Assess (1) Jordanian garment sector, (2) leading competitors with Jordanian garment sector, (3) global garment industry and trade, and (4) changing competitive landscape of global garment industry.

Assessment of Jordanian garment sector should include a review of existing investment and trade and an outlook for future investment and trade, including the possibility of disinvestment by current investors. It should also include consideration of relevant market access agreements, factor costs, available technology, and technical capabilities.

Assessment of leading competitors with Jordanian garment sector should include a similar review of existing investment and trade and an outlook for future investment and trade, as well as consideration of relevant market access agreements, factor costs, available technology, and technical capabilities.

Assessment of global garment industry and trade should include consideration of market and investment trends, the structure of the sector, and what the sector looks for in an investment location.

Assessment of changing competitive landscape of global garment industry should include consideration of the Mutifibre Arrangement (MFA) system and the Agreement on Textiles and Clothing (ATC).

**1.1 Collect and review current literature**

Literature should include available sectoral and feasibility studies. Sources should be both Jordanian (e.g., MOP Competitiveness Unit, local private investors) and international (e.g., World Bank, World Trade Organization). Relevant information from the literature should be substantiated and updated as necessary.

**1.2 Identify and interview players in Jordanian garment sector**

Players should include existing garment investors (local and foreign), as well as appropriate representatives from relevant public entities (e.g., JIB, ASEZA, MOP Competitiveness Unit) and donor programs (e.g., AMIR Program, ATASP, EJADA).

**2. Identify Jordan’s Unique Selling Proposition**

**2.1 Perform SWOT analysis**

In light of the previous assessment, evaluate the following.

- Jordan's strengths and weaknesses in competing for garment investment
- Jordan's opportunities and threats, especially in the face of the changing competitive landscape of the global garment industry
- Jordan's potential to remain competitive in garment production after the expiration of the ATC, based on production costs, continuing tariff exemptions, and other relevant factors

**2.2 Identify sub-sectors and niches**

Based on the strengths and opportunities identified, determine the specific areas within the garment sector in which Jordan may have the greatest competitive advantage in the future. This determination should take into consideration issues of global and regional integration of production processes, as well as industry clustering.

**2.3 Identify constraints and suggest remedies**

Based on the weaknesses and threats identified, determine the leading constraints to investment in Jordan's garment sector and suggest what measures Jordan might take to alleviate such constraints.

**2.4 Identify measures to counter disinvestment**

If the previous assessment reveals a threat of disinvestment by current investors, suggest what measures Jordan might take to counter such disinvestment.

**3. Develop Three-year Promotional Strategy**

**3.1 Assess JIB Capabilities**

Evaluate JIB's existing promotional programs and available resources (e.g., promotional budget, staff capabilities) for targeting and attracting investors, with specific reference to identified sub-sectors. Take this evaluation into consideration when developing strategy.

**3.2 Create Promotional Strategy**

Produce a specific marketing plan for attracting garment investment in the QIZs over the next three years. This strategy should include the following.

- Annual investment targets (i.e., number and value of projects per year, for the next three years)
- Core messages
- Principal selling points, including list of relevant current investors for reference selling
- Target markets and investors (i.e., those markets and investors that can benefit most from using Jordan as a production and/or distribution base for identified sub-sectors. Target investors should be identified in terms of a general profile based on relevant factors, such as sales, company size, and relocation history.)
- Promotional approaches
- Resource requirements (i.e., promotional budget and staff)
- Relevant learning required by JIB promotional staff to implement promotional strategy (e.g., competitor countries, local sector), as well as the sources of information or other means that should be used to acquire that learning (e.g.,

leading industry journals, company databases, business association participation)

**3.3 Create Brochure**

Create two-page draft brochure to be used by JIB in the course of implementing promotional strategy. This brochure should take the perspective of potential investors, delivering the core messages, principal selling points, and another other information necessary to generate their interest in locating in Jordan. It should focus only on content, not style or formatting.

**3.4 Compose Press Release**

Compose draft press release to announce the formulation of this promotional strategy. It should provide background on investment and trade in the garment sector (in Jordan and worldwide), describe the threat to Jordan's recent investment in the sector due to the changing competitive landscape, offer details of the promotional strategy itself, and set this particular strategy in the larger context of the JIB 2003 Investor Targeting Strategy. This release should focus on content, rather than style.

**4. Build Technical Capacity for Sustainability**

**4.1 Provide written record**

Provide an annex that describes in detail the way in which the preceding tasks were accomplished, so that this work may be replicated or updated in the future by a member of Jordan's investment promotion effort. This applies to those tasks whose method is not obvious from the deliverable report.

**4.2 Involve JIB directly**

Demonstrate to selected member(s) of Jordan's investment promotion effort the way in which the preceding tasks were accomplished, so that they may replicate or update this work in the future. If possible, this should be accomplished by working together with those individuals. Otherwise, this should be accomplished through a presentation or training session.

**5. Identify Follow-on Tasks**

If appropriate, identify follow-on tasks that require attention from JIB or the AMIR Program. Provide the background and rationale for these tasks.

## IV. Time Frame for the Consultancy.

Unless otherwise specified in writing, the time frame for this consultancy is specified by the expenditure start and end dates shown in Annex C.

## V. LOE for the Consultancy

The days of level of effort are allocated by location in Annex C.

## VI. Consultancy Qualifications

The Consultant(s) shall have the following minimum qualifications to be considered for this consultancy:

**Project Manager/ Director**

1. *Educational Qualifications*

- BA degree.

2. *Work Experience Qualifications*

- Seven years of experience and has been with the firm for two years.

**Senior level Specialist**

1. *Educational Qualifications*

- Higher degree of education in their field of specialization.

2. *Work Experience Qualifications*

- Seven years of relevant work experience.

**VII. Notes**

The deadline for the draft report is 30 days from the start date. The deadline for the final report is 45 days from the start date.

The body of the final report should not exceed thirty pages. Additional material may be included as annexes.

Consultants should provide a weekly report on their progress to the responsible person at AMIR Program, including accomplishments and amount of LOE expended.

A draft report must be submitted for review with at least 25% of the LOE remaining.

Grammar and syntax should be consistent with standard English, as set out in *The Chicago Manual of Style* (http://www.press.uchicago.edu/Misc/Chicago/cmosfaq/) or *The AP Stylebook*. Style should be consistent with principles set out in such leading style guides as *The Elements of Style*.

## ANNEX 2: List of Persons Interviewed

**AMIR Program**
Barry O'Connell, Investment Promotion Advisor
Brad Fusco, Investment Promotion Advisor
Rami Al-Qusus, Investment Policy Advisor

**Ministry of Industry and Trade**
Amer Hadidi, Director, Industrial Development Directorate
Gina Faraj, Industrial and QIZ Consultant

**Ministry of Planning**
Naseem M. Rahahleh, Director, Competitiveness Unit

**Al-Tajamouat Industrial City**
Halim Salfiti, General Manager
Janset Kasht, Manager Business Development

**Ad-Dulayl Industrial Park**
Jack Khayyat, Chairman
Dina Khayyat, Managing Director

**EJADA**
Tahar Ben Amor, Consultant

**ATASP**
Jose Ceron, ATASP Promotion Advisor

**Jordan Investment Board**
Mazen Hmoud, Deputy Director
Sana' Al-Abbadi, Promotion Officer

**Investors**
Ajay Bahl, Aseel, Owner/Director - Universal Garments manufacturing Co.
Rajat Malhorta, Operations Manager – Aseel Universal Garments Manufacturing Co.
Mansour Ali, General manager – Needle Craft Ltd.

## ANNEX 3: List of Existing Companies in QIZs

Q I Z Companies

| Nr. | Company Name | Location | Contact Person | Tel. # | Fax # | Notes | Email |
|---|---|---|---|---|---|---|---|
| 1 | Intl. Luggage Mnf.Co. | Al-Hassan | Closed | | | | |
| 2 | Crystal Garments | Al-Hassan | Irfan Haji | 02-7395285 | 02-7395066 | not active | |
| 3 | Sari International | Al-Hassan | Ahmed Gawish | 02-7395316 | 02-7395318 | | sari@sari.com.jo |
| 4 | South Asia | Al-Hassan | Closed | | | | |
| 5 | Manhattan | Al-Tajamouat | Closed | | | | |
| 6 | Al-Mutakademi | Al-Hassan | Closed | | | | |
| 7 | Millennium . | Al-Hassan | Moh'd Ramahi | 02-7395605 | 02-7395611 | | mille@mee.com.jo |
| 8 | Falcon | Al-Hassan | Albert Cheung/Ameena | 02-7395292/3 | 02-7395294 | | ameena@almc.com.jo |
| 9 | Century Standard Textile | Al-Hassan | Moh'd Nashashibi | 02-7395570 | 02-7395571 | | nashashibi@qiz.com |
| 10 | Century Miracle | Al-Hassan | Kenny Leung/Ahmed Manasra | 02-7395575 | 02-7395582 | | manasra@cmj.com.jo |
| 11 | Al-Haramein | Al-Hassan | O.R. Shukla | 02-7395444 | 02-7395447 | | oceanapp@go.com.jo |
| 12 | Camel | Al-Karak | Sherry Liu/ Jay | 06-5653295 | 06-5653296 | | sherry@ms2.ctiej.com |
| 13 | Hi -Tech Textile | Ad-Dulayl | Ali Imran | 05-3825530 | 05-3825600 | | ali@hitech-textile.com |
| 14 | Honorway | A-Karak | Jim Wan | 03-2356040 | 03-2356050 | | honorway@honorway.com.jo |
| 15 | New World Textile | Al-Tajamouat | Jerry Fang(GM)/Motasem AbuZant | 06-4020330 | 06-4020350 | | business@newworld.com.jo |
| 16 | Al-Aham | Al-Tajamouat | Francis Ng (GM) | 06-4020525 | 06-4020524 | | alaham@index.com.jo |
| 17 | A. H. Choudhry | Ad-Dulayl | Closed | | | | |
| 18 | United Creations | Ad-Dulayl | Vinod Parwani | 05-3825656 | 05-3825655 | | united@ucjordan.com |
| 19 | Dawahyme Apparel | Al-Tajamouat | Ibrahim Hdaib(GM)/Ahmed Rimawi | 06-4020795 | 06-4028920 | | ib_hdaib@go.com.jo |
| 20 | Sawalha & Rifai | Al-Hassan | Nasser Sawalha | 02-7395360 | 02-7395360 | not active | |
| 21 | Maintrend | Al-Tajamouat | Hong Tech Lee | 06-4020399 | 06-4020388 | | h.t.lee@maintrend.com.tw |
| 22 | ElZay Ready Wear Mnf. | El-Zay | Qustandi Yagnam"GM"/Burhan Darwish | 05-3740200 | 05-3746001 | | bdarwish@elzay.com |
| 23 | Century Tailoring | Al-Hassan | Ahmed Abu-Baker | 02-7395633 | 02-7395632 | | rama@centuryt.com |
| 24 | Canon County Knitting Mill | Al-Tajamouat | Victor Darrab | 06-4020570 | 06-4020577 | | jihad@cckm.com.jo |
| 25 | Petra Apparel | Ad-Dulayl | Rohid Kumar(GM)/Ahmad Nuseirat | 05-3825667 | 05-3825700 | | petraaparel@joinnet.com.jo |
| 26 | United Textile Group | Al-Qastal | Ameed Abd AlKader | 06-4711234 | 06-4711562 | | info@utg.com.jo |
| 27 | Oasis | Al-Hassan | Eddie Wong | 02-7395700/2 | 02-7395703 | | eddie.wong@mail.greatg.com.tw |
| 28 | Al-Methalia | Al-Hassan | Eman Abd-Elghani | 02-7395473 | 02-7395471 | | eman_ad_g@softhome.net |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 29 | Mediterranean | Ad-Dulayl | Ramdas | 05-3825770 | 05-3825771 | | sanl@mragroup.com |
| 30 | United Garments | Al-Tajamouat | Sharif Al-Saifi/Ziad Al-Salah | 06-4020512 | 06-4020517 | | ungrm@ungrm.com |
| 31 | Rich Pine | Cyber City | Cammy Wu | 02-7095622 | 02-7095620 | | cammy@richpine.com.jo |
| 32 | Al Fan Ltd.Co. | Al-Tajamouat | Mazen Baghdadi | 06-4024487 | 06-4024489 | | alven@link.net.jo |
| 33 | Prosperity | Al-Hassan | Closed | | | | |
| 34 | North Star | Ad-Dulayl | Closed | | | | |
| 35 | Jerash Garments | Al-Tajamouat | Tony lu | 06-4020634 | 06-4020639 | | jerash@jerashfashions.com |
| 36 | Panorama | Ad-Dulayl | Asef Khan | 05-3825512 | 05-3825513 | | pgm@nol.com.jo |
| 37 | Rainbow | Ad-Dulayl | Fathie Al-Salheh | 05-3825801 | 05-3825805 | | fathieh@rainbow-textile.com |
| 38 | Best Medal | Al-Tajamouat | Kao Chi Kuang(GM)/Tarek Swedan | 06-4027511 | 06-4027515 | | minson@tyfashion.com.tw |
| 39 | I-Texfil Jordan Ltd | Al-Tajamouat | Yong Sung Choi | 06-4020508/9 | 06-4020507 | | yschoi5@itexfil.com |
| 40 | Silver Planet(Al Kawkab ) | Al-Tajamouat | Syed Adel Ali | 06-4020061 | 06-4020065 | | akaf@go.com.jo |
| 41 | Caliber Garment | Cyber City | Anil Krishnamurthy | 02-7095702 | 02-7095703 | | info@caliber.com.jo |
| 42 | Madam Koere | Al-Hassan | Closed | | | | |
| 43 | Needle Craft | Ad-Dulayl | Mansour Ali | 05-3825681 | 05-3825682 | | needlecraft@index.com.jo |
| 44 | Formosa | Al-Tajamouat | Kao Chi Kuang(GM)/Tarek Swedan | 06-4027511 | 06-4027515 | | minson@tyfashion.com.tw |
| 45 | Rum & Gulf | Al-Tajamouat | | 06-4625158 | 06-4649154 | not active | |
| 46 | Business Faith | Al-Hassan | Frankie Zhang | 02-7395131 | 02-7395133 | | bfgme@accessme.com.jo |
| 47 | Prime Five | Al Qastal | Moh'd Turk | 06-4711712 | 06-4711717 | | P5@prime-five.com.jo |
| 48 | Ivory | Al-Tajamouat | Maved Abdul Samad | 06-4024801 | 06-4024805 | | ivory@nol.com.jo |
| 49 | Al Qadi | Al-Tajamouat | Jamal Izzat | 079-5659649 | 06-4020993 | | indeco@accessme.com.jo |
| 50 | American Jordanian Com. | Al-Hassan | Zarook Ansar (GM)/Jamal Hijazi | 02-7395192 | 02-7395191 | | jamal@ajco.com.jo |
| 51 | Cassiopeia | Al-Hassan | Khaldoon Zaid | 02-7395045 | 02-7395046 | | Khaldoon1974@hotmail.com |
| 52 | Dragon Jordan | Al-Tajamouat | James Fang | 06-4023101 | 60-4023120 | | saleh@tai-nan.com |
| 53 | Prestige | Al-Tajamouat | Imran Haroon | 06-4024570 | 06-4024573 | | prestigeapparel@go.com.jo |
| 54 | Munther Kakish | Amman | Munther Kakish | 06-5696713 | 06-5693918 | exporter | meemo@nol.com.jo |
| 55 | Glory Jordan | Al-Hassan | Najah Jaber | 02-7395505 | 02-7395506 | | jordanroots@nets.com.jo |
| * | Lama Garment Industry | Cyber City | Abu Baker Siddique | - | - | | lamaindustry@yahoo.com |
| * | Royal Fashion | Al-Tajamouat | Emad Shamaa' | 06-4023793 | 06-4023794 | | rofa@accessme.com.jo |

## ANNEX 4: Relevant Clauses from the QIZ Agreement

### AGREEMENT BETWEEN THE HASHEMITE KINGDOM OF JORDAN AND ISRAEL ON IRBID QUALIFYING INDUSTRIAL ZONE

In recognition of the requirements in section 9 of the United States-Israel Free Trade Area implementation Act of 1985, as amended (the "Legislation"), and Proclamation No. 6955 of the President of the United States of America (the "Proclamation"), the Governments of the Hashemite Kingdom of Jordan and the State of Israel hereby agree to the creation of the "Irbid Qualifying Industrial Zone", and request that the Government of the United States designate it as a "Qualifying Industrial Zone" under the legislation and Proclamation.

***ARTICLE I GEOGRAPHIC BOUNDARIES***

The Government of Jordan and the Government of Israel and the hereby designate the following territory of their respective countries as enclaves where merchandise may enter without payment of duty or excise taxes, no matter what the country of origin of the merchandise.

A. For the Government of Jordan: the Irbid duty-free area. Shown on the map attached as Exhibit B.

B. For the Government of Israel: an area under Israeli customs control within the boundaries of the land-crossing border at Sheikh Hussein-Nahar Hayarden Bridge. Shown on the map attached as Exhibit A.

On the basis of the respective national legislation of the parties, the customs authorities of Jordan and Israel shall establish special customs procedures for the purpose of assuring the speedy flow of goods into and out of the zone. The purpose of these procedures is to ensure the strict enforcement of the principles of duty and taxation pursuant to this agreement. In the case of Israel, where factories lying outside the zone will contribute of the 35 percent minimum content required by the legislation and Proclamation, the Israeli customs authority will ensure that inputs imported from abroad incorporated into goods shipped into the zone will be exempt from duty.

***ARTICLE II ECONOMIC COOPERATION***

**A.** Recognizing that one of the primary purposes of the legislation and Proclamation is to encourage economic cooperation in the region, the Government of Jordan and the Government of Israel hereby agree to the establishment of a joint Committee which will have the responsibility outlined below of identifying those businesses located within the Irbid Qualifying Industrial Zone which involve substantial economic cooperation between Jordan and Israel. **Goods processed in the zone by businesses identified by the commission will be eligible for duty-free entry into the United States if the goods meet the requirements of the legislation and Proclamation.**

B. A representative of the United States shall have the right to participate in meetings of the Committee as an observer.

C. The Committee may determine that a business involves substantial economic cooperation between Jordan and Israel:

1. If the manufacturer on the Jordanian side of the QIZ and the Israeli manufacturer each contribute and maintain at least one third of the minimum 35 percent content required under the legislation and Proclamation for duty-free treatment in the United States; or,

2. If the manufacturer on the Jordanian side of the QIZ and the Israeli manufacturer each contribute and maintain at least 20 percent of the total cost of production of goods eligible for duty-free treatment, excluding profits, even if the costs cannot be considered as part of the 35 percent minimum content requirement for this purpose, costs may include originating materials, wages and salaries, design R&D, depreciation of capital investment, overhead including marketing expenses, etc

D. The joint Committee shall have the authority to approve those businesses whose products will be eligible for duty free entry into the United States on the requirements of paragraph (C) and to cancel this eligibility if these requirements are no longer met. Approval of eligibility for duty-free privileges will be reconfirmed by the Joint Committee on an annual basis.

E. The Joint Committee will promptly transmit to the US Customs (Trade Compliance Office. Office of Field Operations) the names of those businesses whose products are eligible for duty-free treatment and identify the products produced or processed in the QIZ by those businesses which comply with the rule of origin requirements set out in the "Outline for Designations of Qualifying Industrial Zone under Proclamation No. 6955 attached to the July 28, 1997 letter from the US Trade Representative office to the Jordanian and Israeli Ministers of Industry and Trade.

***ARTICLE III RULES OF ORIGIN***

The Government of Jordan and the Government of Israel agree that origin of any textile or apparel product that is processed in the Irbid Qualifying Industrial Zone, regardless of the origin or place of processing of any of its inputs or materials prior to entry into, or subsequent to withdrawal from, the Zone, will be determined solely pursuant to the Rules of Origin for Textile and Apparel Products set out in Section 334 of Uruguay Round Agreement Act, 19 USC.3592

***ARTICLE IV CUSTOMS COOPERATION***

The Governments of Jordan and Israel will assist United States authorities in obtaining information, including by means of verification, for the purpose of reviewing transactions for which duty-free access into the US is claimed in order to verify compliance with applicable conditions, and to prevent unlawful transshipment of articles qualifying for duty-free access into the US

***ARTICLE V ENTRY INTO FORCE***

This Agreement shall enter into force upon the completion of the necessary legal procedures by the Parties.

Done in Doha, Qatar on the 16$^{th}$ day of the month of November, 1997, in three original copies in the English language.

For the Government of the Hashemite Kingdom of    For the Government of the State of Israel

Jordan

| | |
|---|---|
| Dr. Hani F. Mulki<br>Minister of Industry and Trade | Natan Sharansky<br>Minister of Industry and Trade |

## ANNEX 5: Jordan-US FTATariff Elimination Schedule

The following schedule lists the time period within which the group of products in each category would become exempt from duty when exported from Jordan to the US

(a) Duties on goods provided for in the items in staging category A in a Party's Schedule shall be removed in two equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year two;

(b) Duties on goods provided for in the items in staging category B in a Party's Schedule shall be removed in four equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year four;

(c) Duties on goods provided for in the items in staging category C in a Party's Schedule shall be removed in five equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year five;

(d) Duties on goods provided for in the items in staging category D in a Party's Schedule shall be removed in ten equal annual stages beginning on January 1 of year one, and such goods shall be duty-free, effective January 1 of year ten;

(e) Duties on goods provided for in the items in staging category E in a Party's schedule shall be removed in accordance with existing WTO duty-elimination commitments (WTO Schedule XX for the United States, and WTO Schedule CXLVII for the Hashemite Kingdom of Jordan).

Source: Embassy of Jordan, Washington, DC
(www.jordanembassyus.org/new/commercial/ fta).

## ANNEX 6 Summary of Relevant Labor Law Clauses[17]

Labor affairs in Jordan are governed by the new Labor Law No. 8 of 1996. The provisions of the law apply to all employees and employers as defined by Article 2 of the Law.

Maximum working hours are forty-eight during a six-day week. The seventh day is a paid weekly holiday. Additional hours will be considered as overtime and qualify for compensation of 25 percent over the regular wage. Except in the event of an emergency, an increase in daily work hours is subject to approval by the Minister of Labor.

Employees are entitlesd to an annual fourteen-day, fully-paid sick leave that may be extended by an additional fourteen days if the employee was hospitalized. The Law makes provisions for compensation regarding on-the-job injuries. A worker is also entitled to a one-time fourteen day leave to make the pilgrimage to the Islamic holy shrines in Mecca, provided he has worked for the same company for five years.

Female employees are allowed ten weeks maternity leave with pay. Employers who employ twenty or more women must provide daycare for all children under four years of age.

The minimum age for child employment under controlled conditions has been raised to sixteen years. The new law places restrictions on the types of jobs minors may hold as well as on the number of hours they are allowed to work.

The new Law regulates labor unions and employer alliances. Workers are free to join unions without objection from their employers. Strikes and close-downs are also regulated by the new Law.

[17] Compiled from Embassy of Jordan, Washington, DC, Web site (www.jordanembassyus.org/) and infoprod website (http://www.infoprod.co.il/country/jordan2h.htm)

## ANNEX 7: Selected Incentives Under Encouragement of Investment Law[18]

Under the Encouragement of Investment Law, the following selected incentives are offered:

- Exemption from customs and import duties on fixed assets needed to establish a project
- Exemption from income and social services taxes on net profits for five years from the date of production
- Exemption from building and land taxes for five to seven years from date of project approval
- Free grants of state-owned land outside the cities of Amman and Zarqa as approved by the Council of Ministers
- Repatriation of imported capital in three equal installments starting two years after production begins
- Exemption from income taxes on interest and annual repatriation of dividends.

[18] Source: US Department of Commerce

## ANNEX 8: List of High-Duty Garment Products

### ARTICLES OF APPAREL & CLOTHING ACCESSORIES, KNITTED OR CROCHETED

| HTS | Description | Duty Rate |
|---|---|---|
| **6101** | **Men's or boys' overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles, knitted or crocheted, other than those of heading 6103:** | |
| 6101.10.00 | Of wool or fine animal hair (434) | 63.2¢/kg + 16.4% |
| 6101.20.00 | Of cotton | 16% |
| **6102** | **Women's or girls' overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles, knitted or crocheted, other than those of heading 6104:** | |
| 6102.10.00 | Of wool or fine animal hair (435) | 57.1¢/kg + 16.8% |
| 6102.20.00 | Of cotton | 16% |
| 6102.30.10 | Containing 23 percent or more by weight of wool or fine animal hair (435) | 64.8¢/kg + 18.9% |
| **6103** | **Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted: Trousers, bib and brace overalls, breeches and shorts** | |
| 6103.12.10 | Of synthetic fibers:<br>Containing 23 percent or more by weight of wool or fine animal hair (443) | 62¢/kg + 16% |
| 6103.39.10 | Suit-type jackets and blazers:<br>Of other textile materials:<br>Of artificial fibers (633) | 16.4% |
| 6103.41.10 | Trousers, bib and brace overalls, breeches and shorts:<br>Of wool or fine animal hair:<br>Trousers, breeches and shorts | 62.7¢/kg + 16.2% |
| 6103.42.10 | Trousers, bib and brace overalls, breeches and shorts:<br>Of cotton:<br>Trousers, breeches and shorts | 16.2% |
| 6103.43.10 | Trousers, bib and brace overalls, breeches and shorts<br>Of synthetic fibers:<br>Trousers, breeches and shorts:<br>Containing 23 percent or more by weight of wool or fine animal hair | 60.4¢/kg + 15.7% |

| | | |
|---|---|---|
| | | |
| 6103.49.10 | Trousers, bib and brace overalls, breeches and shorts<br>Of other textile materials: Of artificial fibers: Trousers, breeches and shorts | 28.4% |
| | | |
| **6104** | **Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted:** | |
| 6104.31.00 | Suit-type jackets and blazers:<br>Of wool or fine animal hair (435) | 56.2¢/kg + 16.4% |
| 6104.32.00 | Suit-type jackets and blazers:<br>Of cotton (335) | 15.1% |
| 6104.33.10 | Suit-type jackets and blazers:<br>Containing 23 percent or more by weight of wool or fine animal hair (435) | 57.6¢/kg + 16.8% |
| 6104.39.10 | Of other textile materials:<br>Of artificial fibers (635) | 24.6% |
| 6104.69.20 | Trousers, bib and brace overalls, breeches and shorts:<br>Of other textile materials:<br>Of artificial fibers:<br>Trousers, breeches and shorts | 28.4% |
| **6105** | **Men's or boys' shirts, knitted or crocheted:** | |
| 6105.10.00 | Of cotton | 19.8% |
| **6106** | **Women's or girls' blouses and shirts, knitted or crocheted:** | |
| 6106.10.00 | Of cotton | 19.8% |
| **6107** | **Men's or boys' underpants, briefs, nightshirts, pajamas, bathrobes, dressing gowns and similar articles, knitted or crocheted:** | |
| 6107.22.00 | Nightshirts and pajamas:<br>Of man-made fibers | 16.1% |
| **6108** | **Women's or girls' slips, petticoats, briefs, panties, nightdresses, pajamas, negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted:** | |
| 6108.32.00 | Nightdresses and pajamas:<br>Of man-made fibers | 16.1% |
| **6109** | **T-shirts, singlets, tank tops and similar garments, knitted or crocheted:** | |
| 6109.10.00 | Of cotton | 17% |
| 6109.90.10 | Of other textile materials: | 32.2% |

| | | |
|---|---|---|
| | Of man-made fibers | |
| **6110** | **Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted:** | |
| 6110.11.00 | Of wool or fine animal hair:<br>Of wool | 16.1% |
| 6110.30.15 | Of man-made fibers<br>Containing 23 percent or more by weight of wool or fine animal hair | 17% |
| **6111** | **Babies' garments and clothing accessories, knitted or crocheted:** | |
| 6111.20.10 | Of cotton:<br>Blouses and shirts, except those imported as parts of sets (239) | 19.8% |
| 6111.30.10 | Of synthetic fibers:<br>Trousers, breeches and shorts, except those imported as parts of sets (239) | 28.4% |
| 6111.30.20 | Of synthetic fibers:<br>Blouses and shirts, except those imported as parts of sets (239) | 32.3% |
| 6111.30.30 | Of synthetic fibers:<br>T-shirts, singlets and similar garments, except those imported as parts of sets (239) | 32.3% |
| 6111.30.40 | Of synthetic fibers:<br>Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, except those imported as parts of sets (239) | 30.5% |
| 6111.90.10 | Of other textile materials:<br>Of artificial fibers:<br>Trousers, breeches and shorts, except those imported as parts of sets (239) | 16.4% |
| 6111.90.20 | Of other textile materials:<br>Of artificial fibers:<br>Blouses and shirts, except those imported as parts of sets (239) | 19% |
| 6111.90.40 | Of other textile materials:<br>Of artificial fibers:<br>Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, except those imported as parts of sets (239) | 26.9% |
| **6112** | **Track suits, ski-suits and swimwear, knitted or crocheted:** | |

| | | |
|---|---|---|
| 6112.12.00 | Track suits:<br>Of synthetic fibers | 28.4% |
| 6112.19.10 | Track suits<br>Of other textile materials:<br>Of artificial fibers | 28.4% |
| 6112.20.10 | Ski-suits:<br>Of man-made fibers | 28.4% |
| 6112.31.00 | Men's or boys' swimwear:<br>Of synthetic fibers | 26.1% |
| 6112.41.00 | Women's or girls' swimwear:<br>Of synthetic fibers | 25.1% |
| **6114** | **Other garments, knitted or crocheted:** | |
| 6114.30.10 | Of man-made fibers:<br>Tops | 28.4% |
| 6114.30.20 | Of man-made fibers:<br>Bodysuits and bodyshirts | 32.2% |
| **6115** | **Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins, and footwear without applied soles, knitted or crocheted:** | |
| 6115.11.00 | Panty hose and tights:<br>Of synthetic fibers, measuring per single yarn less than 67 decitex | 16.1% |
| 6115.93.60 | Other:<br>Of synthetic fibers:<br>Containing lace or net | 18.9% |
| 6115.99.14 | Of other textile materials:<br>Of artificial fibers:<br>Containing lace or net | 18.9% |
| **6116** | **Gloves, mittens and mitts, knitted or crocheted :** | |
| 6116.92.08 | Other<br>Of cotton<br>Other:<br>Made from a pre-existing machine knit fabric:<br>Without fourchettes | 23.6% |
| 6116.92.74 | Other<br>Of cotton<br>Other: | 23.6% |

| | | |
|---|---|---|
| | Made from a pre-existing machine knit fabric:<br>With fourchettes | |
| 6116.93.88 | Other<br>Of synthetic fibers:<br>Other:<br>Without fourchettes | 18.7% |
| 6116.93.94 | Other<br>Of synthetic fibers:<br>Other:<br>With fourchettes | 18.7% |
| 6116.99.48 | Other<br>Of other textile materials:<br>Of artificial fibers:<br>Other<br>Without fourchettes | 18.9% |
| 6116.99.54 | Other<br>Of other textile materials:<br>Of artificial fibers:<br>Other<br>With fourchettes | 18.9% |

## ARTICLES OF APPAREL & CLOTHING ACCESSORIES, KNITTED OR CROCHETED

| HTS | Description | Duty Rate |
|---|---|---|
| **6101** | **Men's or boys' overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles, knitted or crocheted, other than those of heading 6103:** | |
| 6101.10.00 | Of wool or fine animal hair (434) | 63.2¢/kg + 16.4% |
| 6101.20.00 | Of cotton | 16% |
| **6102** | **Women's or girls' overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles, knitted or crocheted, other than those of heading 6104:** | |
| 6102.10.00 | Of wool or fine animal hair (435) | 57.1¢/kg + 16.8% |
| 6102.20.00 | Of cotton | 16% |
| 6102.30.10 | Containing 23 percent or more by weight of wool or fine animal hair (435) | 64.8¢/kg + 18.9% |
| **6103** | **Men's or boys' suits, ensembles, suit-type jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted: Trousers, bib and brace overalls, breeches and shorts** | |
| 6103.12.10 | Of synthetic fibers:<br>Containing 23 percent or more by weight of wool or fine animal hair (443) | 62¢/kg + 16% |
| 6103.39.10 | Suit-type jackets and blazers:<br>Of other textile materials:<br>Of artificial fibers (633) | 16.4% |
| 6103.41.10 | Trousers, bib and brace overalls, breeches and shorts:<br>Of wool or fine animal hair:<br>Trousers, breeches and shorts | 62.7¢/kg + 16.2% |
| 6103.42.10 | Trousers, bib and brace overalls, breeches and shorts:<br>Of cotton:<br>Trousers, breeches and shorts | 16.2% |
| 6103.43.10 | Trousers, bib and brace overalls, breeches and shorts<br>Of synthetic fibers:<br>Trousers, breeches and shorts:<br>Containing 23 percent or more by weight of wool or fine animal hair | 60.4¢/kg + 15.7% |
| 6103.49.10 | Trousers, bib and brace overalls, breeches and shorts | 28.4% |

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|---|---|---|
| | Of other textile materials: Of artificial fibers: Trousers, breeches and shorts | |
| | | |
| **6104** | **Women's or girls' suits, ensembles, suit-type jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted:** | |
| 6104.31.00 | Suit-type jackets and blazers: Of wool or fine animal hair (435) | 56.2¢/kg + 16.4% |
| 6104.32.00 | Suit-type jackets and blazers: Of cotton (335) | 15.1% |
| 6104.33.10 | Suit-type jackets and blazers: Containing 23 percent or more by weight of wool or fine animal hair (435) | 57.6¢/kg + 16.8% |
| 6104.39.10 | Of other textile materials: Of artificial fibers (635) | 24.6% |
| 6104.69.20 | Trousers, bib and brace overalls, breeches and shorts: Of other textile materials: Of artificial fibers: Trousers, breeches and shorts | 28.4% |
| **6105** | **Men's or boys' shirts, knitted or crocheted:** | |
| 6105.10.00 | Of cotton | 19.8% |
| **6106** | **Women's or girls' blouses and shirts, knitted or crocheted:** | |
| 6106.10.00 | Of cotton | 19.8% |
| **6107** | **Men's or boys' underpants, briefs, nightshirts, pajamas, bathrobes, dressing gowns and similar articles, knitted or crocheted:** | |
| 6107.22.00 | Nightshirts and pajamas: Of man-made fibers | 16.1% |
| **6108** | **Women's or girls' slips, petticoats, briefs, panties, nightdresses, pajamas, negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted:** | |
| 6108.32.00 | Nightdresses and pajamas: Of man-made fibers | 16.1% |
| **6109** | **T-shirts, singlets, tank tops and similar garments, knitted or crocheted:** | |
| 6109.10.00 | Of cotton | 17% |
| 6109.90.10 | Of other textile materials: Of man-made fibers | 32.2% |
| **6110** | **Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles,** | |

| | | |
|---|---|---|
| | **knitted or crocheted:** | |
| 6110.11.00 | Of wool or fine animal hair:<br>Of wool | 16.1% |
| 6110.30.15 | Of man-made fibers<br>Containing 23 percent or more by weight of wool or fine animal hair | 17% |
| **6111** | **Babies' garments and clothing accessories, knitted or crocheted:** | |
| 6111.20.10 | Of cotton:<br>Blouses and shirts, except those imported as parts of sets (239) | 19.8% |
| 6111.30.10 | Of synthetic fibers:<br>Trousers, breeches and shorts, except those imported as parts of sets (239) | 28.4% |
| 6111.30.20 | Of synthetic fibers:<br>Blouses and shirts, except those imported as parts of sets (239) | 32.3% |
| 6111.30.30 | Of synthetic fibers:<br>T-shirts, singlets and similar garments, except those imported as parts of sets (239) | 32.3% |
| 6111.30.40 | Of synthetic fibers:<br>Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, except those imported as parts of sets (239) | 30.5% |
| 6111.90.10 | Of other textile materials:<br>Of artificial fibers:<br>Trousers, breeches and shorts, except those imported as parts of sets (239) | 16.4% |
| 6111.90.20 | Of other textile materials:<br>Of artificial fibers:<br>Blouses and shirts, except those imported as parts of sets (239) | 19% |
| 6111.90.40 | Of other textile materials:<br>Of artificial fibers:<br>Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, except those imported as parts of sets (239) | 26.9% |
| **6112** | **Track suits, ski-suits and swimwear, knitted or crocheted:** | |
| 6112.12.00 | Track suits:<br>Of synthetic fibers | 28.4% |

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|---|---|---|
| 6112.19.10 | Track suits<br>Of other textile materials:<br>Of artificial fibers | 28.4% |
| 6112.20.10 | Ski-suits:<br>Of man-made fibers | 28.4% |
| 6112.31.00 | Men's or boys' swimwear:<br>Of synthetic fibers | 26.1% |
| 6112.41.00 | Women's or girls' swimwear:<br>Of synthetic fibers | 25.1% |
| **6114** | **Other garments, knitted or crocheted:** | |
| 6114.30.10 | Of man-made fibers:<br>Tops | 28.4% |
| 6114.30.20 | Of man-made fibers:<br>Bodysuits and bodyshirts | 32.2% |
| **6115** | **Panty hose, tights, stockings, socks and other hosiery, including stockings for varicose veins, and footwear without applied soles, knitted or crocheted:** | |
| 6115.11.00 | Panty hose and tights:<br>Of synthetic fibers, measuring per single yarn less than 67 decitex | 16.1% |
| 6115.93.60 | Other:<br>Of synthetic fibers:<br>Containing lace or net | 18.9% |
| 6115.99.14 | Of other textile materials:<br>Of artificial fibers:<br>Containing lace or net | 18.9% |
| **6116** | **Gloves, mittens and mitts, knitted or crocheted :** | |
| 6116.92.08 | Other<br>Of cotton<br>Other:<br>Made from a pre-existing machine knit fabric:<br>Without fourchettes | 23.6% |
| 6116.92.74 | Other<br>Of cotton<br>Other:<br>Made from a pre-existing machine knit fabric:<br>With fourchettes | 23.6% |

| | | |
|---|---|---|
| 6116.93.88 | Other<br>Of synthetic fibers:<br>Other:<br>Without fourchettes | 18.7% |
| 6116.93.94 | Other<br>Of synthetic fibers:<br>Other:<br>With fourchettes | 18.7% |
| 6116.99.48 | Other<br>Of other textile materials:<br>Of artificial fibers:<br>Other<br>Without fourchettes | 18.9% |
| 6116.99.54 | Other<br>Of other textile materials:<br>Of artificial fibers:<br>Other<br>With fourchettes | 18.9% |

## ANNEX 9: List of Useful Web Sites

| Theme | Organization | URL | Description | Status (1) |
|---|---|---|---|---|
| Country- Specific Trade/ Industry Data and Economic Indicators | International Trade Center (ITC) | http://www.intracen.org/ | The ITC (UNCTAD/WTO) is the focal point in the United Nations system for technical cooperation with developing countries in trade promotion. ITC produces and disseminates market research and trade analysis for exporters, importers and trade support institutions in developing countries and transition economies.<br>Market analysis activities provide in-depth analyses of international trade flows ("TradeMap program") and the development of analytical tools for market analysis and trade promotion accessible through 2 Market Analysis Portals: Country and Product MAPs). | Country reports: F<br>------<br>Products and market briefs: F<br>------<br>Detailed product maps: MO |
| | The Economist: country briefings | http://www.economist.com/countries/ | News, country profiles, forecasts, statistics and more on over 60 countries, from the online version of *The Economist* magazine, a leading independent global economic and political news and analysis source. | F |
| | The Economist Intelligence Unit | http://www.eiu.com/ | Database of over 3,000 publications provides economic and political analysis and forecasts for 200 countries and regions. Key titles include country reports, profiles, and forecasts. | MO |
| | EU Statistical Office (EUROSTAT) | http://europa.eu.int/comm/eurostat/Public/datashop/print-catalogue/EN?catalogue=Eurostat | Statistical research and market and data analysis from the EU | F/MO |
| | World Bank | http://www.worldbank.org/ | Country-specific and regional data, reports (projects, policies and strategies). | F |
| | US Government Export Portal | http://www.export.gov/cntryind.html | Country information, industry market research (country commercial guides, industry sector analysis, international market insight, etc.), tariff/tax information, trade agreements, country contact information, etc. | F |
| | US Office of Textile & Apparel | http://otexa.ita.doc.gov/ | Wealth of resources (e.g., trade events, agreements, export advantage, quotas) for export of US-made textile and apparel products. | F |

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|---|---|---|---|---|
| | Trade Partners U.K. | http://www.tradepartners.gov.uk/ | Government organization helping companies in the U.K. reach their export potential. Provides market and country analyses. | F |
| | | | | |
| **Labor Laws & Issues** | Economic Research Institute | http://www.erieri.com/ | Reports and software reports and software database products on human resource and capital, including wage and salary survey data, prevailing wage, cost of living, and employee benefit data | F/MO |
| | NRF Foundation | http://www.sweatshops-retail.com/ | The educational and charitable partner of the National Retail Federation, providing a range of information about labor standards, government efforts, and international trade in general. | F |
| | CAL Safety Compliance Corporation | http://www.cscc-online.com/ | Provides consultation and compliance monitoring to all market sectors concerned with Corporate Social Responsibility, accurate information gathering, and risk management. Expertise areas include child labor, chain of custody, import practices, wages, and labor regulations. | F |
| | Clean Clothes Campaign | http://www.cleanclothes.org/ | Website for campaign dedicated to improving worldwide working conditions for garment industry. Several publications posted here. | F |
| | | | | |
| **Egypt** | Export from Egypt | http://www.exportfromegypt.com | Database of over 220 Egyptian exporting companies across several sectors including: apparel and textiles, automotive, food, furniture, leather, and software. | F/MO |
| | Egypt State Information Service | http://www.sis.gov.eg/ | Portal for several government sites, providing access to web links on politics, economy, news, tourism, and chambers of industry and commerce. | F |
| | | | | |
| **Hong Kong (HK)** | Asia Monitor Resource Center | http://www.amrc.org.hk/ | An independent NGO focusing on Asian labor issues. | F |
| | Doing Business in H.K. | http://www.business.gov.hk/ | Portal for several sites related to doing business in Hong Kong. | F |

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|---|---|---|---|---|
| | Institute of Textiles& Clothing | http://www.itc.polyu.edu.hk/ | Institute within the H.K. Polytechnic University, which keeps abreast of all the latest developments in one of H.K.'s leading industries and provides education programs, research, and consultancy in fashion and textiles. | F |
| | H.K. Textile Council | http://www.textilecouncil.com/ | Council representing all textile associations in H.K., providing a forum for all matters affecting the industry, including dumping, quotas, export regulations. | F |
| | H.K. Institute of Textile & Apparel | http://www.hkita.org/ | Another institute of the H.K. Polytechnic University. | F |
| | H.K. Trade Development Council | http://www.tdctrade.com/ http://garments.tdctrade.com/ | Promotional body for external trade in goods and services, and for promoting H.K.'s advantages as a global platform and partner for international business. Industry portals within, including garments manufacturing. | F |
| | Apparel Key | http://www.apparelkey.com/ | Apparel manufacturing knowledge portal site developed by the Institute of Textiles and Clothing of H.K. Polytechnic University in collaboration with the Chinese University of H.K. | F |
| | | | | |
| **India** | Our India | http://www.ourindia.com/ http://www.ourindia.com/ncm/index.html | Portal offering an array of information, in addition to being website for the publishers of "New Cloth Magazine," Indian textile magazine. | F |
| | India Info | http://www.indiainfo.com/nri.html http://biz.indiainfo.com/ http://finance.indiainfo.com/ | Indian portal, offering several news, information, and analyses from various channels, including business sectors and finance. | F |
| | Indian Ministry of Labor | http://labour.nic.in/ | Governmental site with links to various Indian labor issues, statistics, and projects. | F |
| | Indian Labor Bureau | http://labourbureau.nic.in/wagetab.htm | Indian labor issues and statistics, including minimum wage details. | F |
| | India Server | http://www.indiaserver.com/ | Indian portal, offering news, information, and analysis from various channels, including business and investment. | F |

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|---|---|---|---|---|
| | Indian Apparel Portal | http://apparel.indiamart.com/textile-export-quota/garment-knitwear-quota.html | Detailed information on textile export quota policies, as well as news and statistics on the industry. | F |
| | | | | |
| **Pakistan** | Pakistan Economist | http://www.pakistaneconomist.com/ | Wealth of information encompassing a market watch, features, trade opportunities, macro-economy, capital market, and industries. | F |
| | Business Recorder | http://www.brecorder.com/ | Business portal, with information on India's leading industries (including cotton & textiles); in addition to economic indicators and labor information. | F |
| | Export Promotion Bureau | http://www.epb.gov.pk/epb/index.jsp | Agency for the development and promotion of Pakistan's exports. Export statistics and trends, as well as market and product research. | F |
| | Pakistan Trade Journal | http://www.ptj.com.pk/ | Monthly magazine on textile industry, keeping abreast with technology, equipment, and raw materials for the textile industry and pressing issues related to energy, environment, and economy. | F/MO |
| | | | | |
| **Taiwan (Republic of China)** | Taiwan Textiles Federation | http://ttf.textiles.org.tw/ | The Federation assists the government in bilateral textile quota negotiations and administers the textile export quota. Also: quota management, market promotion, industrial development, market and quota information, and help with the improvement of design capability, production and management to textile companies to ensure their continuing development and upgrading. | F |
| | Industrial Development & Investment Center | http://investintaiwan.nat.gov.tw/ | Promotes investment-related activities under the Ministry of Economic Affairs. Also houses Technology Transfer Center, which helps to upgrade domestic industries. | F |
| | Taiwan Headlines | http://www.taiwanresearch.com/ | Government-sponsored portal with links to government announcements, as well as various business and news features. | F |
| | Taiwan Research Institute | http://www.dsis.org.tw/ | Under the umbrella of the Division of Strategic & International Studies on Taiwan, with information about trade agreements. | F |
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|---|---|---|---|---|
| | Chinese International Economic Cooperation Association | http://www.cieca-statistics.org.tw/page/about-1.htm | Oversees the promotion of bilateral economic ties with European countries, in addition to other countries. | F |
| | Taiwan Garments | http://www.taiwan-garment.org/ | | |
| | TaiwanTrade | http://www.taiwantrade.com.tw/ | Global online trading hub designed to stimulate immediate access to B2B e-commerce for SMEs. Sponsored by Board of Foreign Trade/Ministry of Economic Affairs. It is also administered by the China External Trade Development Council. | F |
| | Taiwan Footwear | http://www.footwear.com.tw/ | Industry news, Taiwan footwear export statistics, industrial directory, tradeshows, etc. | F/ MO |
| | | | | |
| **United Arab Emirates (UAE)** | Trade in the UAE | http://www.uae.gov.ae/Government/trade.htm | Government portal offering information on trade, including export statistics and customs details. | F |
| | Business in the UAE | http://www.uae.gov.ae/Government/business.htm | Government portal offering information on business, including UAE free zones, procedures, and chambers of industry and commerce. | F |
| | Emirates Center for Strategic Studies & Research | http://www.ecssr.ac.ae/ | General information and publications/position papers on government, foreign affairs, industry, economy, tourism, etc. | F |
| | AMCO | http://www.amcouae.com/ | Leading apparel-manufacturing company, based in the UAE. Website offers useful information on the apparel industry in the UAE: history, strategy, and prospects. | F |
| | Zawya | http://www.zawya.com/countries/ae/ | Arabian portal with a UAE country focus, offering latest news, industry briefs, miscellaneous information and company directories. | F |
| | TradeArabia | http://www.tradearabia.com/ | Arabia portal offering total business information services on several countries, including UAE. | F |
| | | | | |
| **Miscellaneous** | AllAction Trade | http://www.allactiontrade.com/ | International portal, offering export-import trade leads, business opportunities, company directories, industry news, with country-specific data. | F |

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|---|---|---|---|---|
| | Emerging Textiles | http://www.emergingtextiles.com/ | Textile and clothing trade information from a wide-ranging network of textile trade experts, news editors, textile portals, and content providers. | F |
| | ExpoCentral | http://www.expocentral.com/ | Web directory of events, exhibitors, and virtual trade show portal. Trade shows, exhibitions, fairs and festivals, conventions, conferences, and seminars. | F |
| | Apparel Link | http://www.apparellink.com/ | Directory and advertising/marketing forum for textile and apparel traders. | F |
| | Apparel Search | http://www.apparelsearch.com/ | Online guide to the apparel & textile industry. Provides resources on manufacturers, wholesalers, retailers, freight companies, customs, warehousing, quality standards, education/training, trade shows, publications, model agencies, news, and employment. | F |

Notes: F: Free of Charge; Mo: Monthly Fee.

**ANNEX 10: List of Textile and Apparel Associations**

| Trade Association or Portal Name | Association and Site Description | Internet URL or Address |
|---|---|---|
| European Flax and Linen Confederation | Information on European flax and linen industry | http://www.mastersof linen.com |
| International Wool Textile Association | Represents interests of wool textile trade | http://www.iwto.org |
| Wool Textile Industrial Association, Taiwan, ROC | Directory of Taiwanese producers of wool textiles | http://ttf.textiles.org.tw/ttfassociation/Etextile/E_3icon/E_manager.asp?OrgID=AG&MODE=Modules |
| Cashmere and Camel Hair Manufacturers Institute | Information on cashmere and camel hair textile manufacturing industry | http://www.cashmere.org |
| Association of the Non-woven Fabrics Industry | Information on non-woven fabric industry and industry events | http://www.inda.org |
| European Association of Polyolefins | List of European synthetic fiber producers | http://www.eatp.org |
| International Rayon and Synthetic Fibres Committee | List of European synthetic fabric producers. Information on worldwide production. | http://www.cirfs.org |
| Eurocord | Lobbying and coordination organization for European rope, netting, and cord industry | http://www.eurocord.com |
| European Federation of Wire Rope Industries | List of European producers of wire rope | http://perso.wanadoo.fr/eurocord-ewris/ewris/index.htm |
| Industrial Fabrics Association International | Information on international technical fabrics marketplace | http://www.ifai.com |
| Screenprinting and Graphic Imaging Association International | Information on screenprinting on textile materials and industry conventions | http://www.sgia.org |
| Textile Industries Media Group | Online Textile World magazine; Blue Book on North American textiles mills; textile buyers' guide; events calendar and news | http://www.textileindustries.com |
| The Textile Institute | Information on textile activities throughout the world | http://www.texi.org |
| International Textile Manufacturers Federation | Organizes annual textile conferences. Publishes industry surveys and studies. | http://www.itmf.org |
| The Society of Dyers and Colourists | Information on the textile coloration industry | http://www.sdc.org.uk |
| American Fiber Manufacturers Association | Textile news, directory of producers, educational materials, information on various fibers | http://www.fibersource.com |
| Association of Apparel and Textile Exporters in Bulgaria | Information on Bulgarian producers of apparel, knitwear, textiles, accessories, and services | http://www.bgtextiles.org/ |
| Apparel Asia | Asian apparel and textile supplier directory | http://www.apparelasia.com |
| Indonesia Textile Association | Directory of Indonesian knitting, spinning, embroidery, and garment | http://www.indotex.com |

| Trade Association or Portal Name | Association and Site Description | Internet URL or Address |
|---|---|---|
| | companies | |
| Taiwan Textile Federation | Directory of Taiwanese apparel and textile manufacturers. Umbrella organization of Taiwan's various apparel and textile associations. | http://ttf.textiles.org.tw |
| Taiwan Weaving Industry Association | Association of Taiwanese weaving companies | http://ttf.textiles.org.tw/Textile/TTFroot/fta04f.htm |
| Taiwan Non-Woven Fabrics Industry Association | Directory of Taiwanese non-woven fabrics manufacturers | http://ttf.textiles.org.tw/ttfassociation/Etextile/E_3icon/E_manager.asp?OrgID=AV&MODE=Modules |
| Taiwan Sweater Industry Association | Association of Taiwanese sweater and knit goods manufacturers | http://www.sweater.org.tw/eng/main_eng.html |
| Taiwan Carpet and Blanket Manufacturers Association | Association of Taiwanese carpet and blanket makers | http://203.67.247.10/Textile/TTFroot/fta04t.htm |
| Taiwan Towel Industry Association | Association of Taiwanese towel makers | http://203.67.247.10/Textile/TTFroot/fta04n.htm |
| Taiwan Zippers Manufacturers' Association | Association of Taiwanese zipper makers | http://www.twzippers.org |
| Taiwan Hosiery Manufacturers' Association | Directory of Taiwanese hosiery manufacturers | http://ttf.textiles.org.tw/ttfassociation/Etextile/E_3icon/E_manager.asp?OrgID=AO&MODE=Modules |
| Taiwan Synthetic Texturize Industry Association | Directory of Taiwanese manufactures of nylon stretch yarn | http://ttf.textiles.org.tw/ttfassociation/Etextile/E_3icon/E_manager.asp?OrgID=AE&MODE=Modules |
| Taiwan Silk and Filament Weaving Industrial Association | Search for silk and synthetic woven textile companies in Taiwan | http://www.tsfa.com |
| Taiwan Cotton Spinners' Association | List of Taiwanese companies producing cotton and cotton blend yarn | http://ttf.textiles.org.tw/ttfassociation/Etextile/E_3icon/E_manager.asp?OrgID=AJ&MODE=Modules |
| Taiwan Regional Association of Filament Fabrics Printing, Dyeing, and Finishing Industries | Directory of Taiwanese fabric dyeing and finishing companies | http://ttf.textiles.org.tw/ttfassociation/Etextile/E_3icon/E_manager.asp?OrgID=AT&MODE=Modules |
| Textile Council of Hong Kong | Umbrella organization for ten apparel and textile organizations in Hong Kong | http://www.textilecouncil.com |
| Hong Kong Association of Textile Bleachers, Dyers, Printers, and Finishers | Association to coordinate interests of Hong Kong textile finishing companies | http://www.textilecouncil.com/member_hkatbdpf.html |
| Hong Kong Chinese Textile Mills Association | Association of merchants in the textile business | http://www.textilecouncil.com/member_hkctm.html |
| Hong Kong Cotton Spinners' Association | Association of Hong Kong cotton yarn and thread manufacturers | http://www.textilecouncil.com/member_hkcsa.html |
| Federation of Hong Kong Cotton Weavers | Association to assist Hong Kong cotton weavers | http://www.textilecouncil.com/member_hkcw.html |

| Trade Association or Portal Name | Association and Site Description | Internet URL or Address |
|---|---|---|
| Hong Kong Weaving Mills Association | Association of Hong Kong textile weaving manufacturers | http://www.textilecouncil.com/member_hkwm.html |
| Hong Kong Woolen and Synthetic Knitting Manufacturers' Association | Association to promote and protect the knitwear industry in Hong Kong | http://www.textilecouncil.com/member_hkwskma.html |
| China Textile and Apparel Business Network | Leading Chinese business-to-business textile and apparel organization dedicated to on-line trading and sourcing of textiles. Includes company postings. | http://cntexnet.com |
| All Pakistan Textile Mills Association | Directory of Pakistani textile mills | http://www.aptma.org.pk |
| Towel Manufacturers' Association of Pakistan | Association of Pakistani manufacturers of towels | 12th Floor, Kashif Centre<br>Hahrah-e-Faisal<br>Karachi 75530 Pakistan<br>Tel: 92-21-567-728, 568-1953, 513-942, 513-926<br>Fax: 92-21-567-7132 |
| Pakistan Commercial Exporters of Towels Association | Association of Pakistani towel exporters | 207, Uni Plaza<br>P.O. Box No. 6955<br>I.I. Chundrigar Road<br>Karachi, Pakistan<br>Tel: 92-21-241-1389, 241-5952<br>Fax: 92-21-241-0135 |
| All Pakistan Cloth Exporter Association | Association of Pakistani cloth exporters | 30, Ground Floor, Regency Arcade<br>The Mall, Main Road<br>Faisalabad, Pakistan<br>Tel: 92-41-615-563/64<br>Fax: 92-41-617-985 |
| Pakistan Cloth Merchants Association | Association of Pakistani cloth merchants | 4th Floor, Dada Chambers<br>Hussaini Market,<br>Mereweather Tower<br>M.A. Jinnah Road<br>Karachi, Pakistan<br>Tel: 92-21-244-4274, 244-4053, 244-4393, 244-4059<br>Fax: 92-21-241-9751 |
| All Pakistan Bedsheets and Upholstery Manufacturers' Association | Association of Pakistani manufacturers of sheets and upholstery | 20-T Block, New Multan Colony<br>Maasoom Shah Road<br>Multan, Pakistan<br>Tel: 92-61-552-909, 552-488<br>Fax: 92-61-557-981 |
| Pakistan Hosiery Manufacturers' Association | Association of Pakistani hosiery manufacturers | 1st Floor, Room No. 103-4<br>Amber Estate, Shahrah-e-Faisal<br>Karachi 75530, Pakistan<br>Tel: 92-21-453-0544/45<br>Fax: 92-21-454-3774 |

| Trade Association or Portal Name | Association and Site Description | Internet URL or Address |
|---|---|---|
| Pakistan Silk and Rayon Mills Association | Association of Pakistani manufacturers of rayon and silk fabrics | 5th Floor, Room No. 44-48<br>Textile Plaza, M.A. Jinnah Road<br>Karachi, Pakistan<br>Tel: 92-21-241-0288, 241-5261<br>Fax: 92-21-241-5261 |
| Pakistan Art Silk Fabrics and Garments Exporters Association | Association of Pakistani silk fabric exporters | 1st Floor, Ghulam Rasool Bldg. 60<br>Shahrah-e-Quaid-e-Azam<br>Lahore, Pakistan<br>Tel: 92-42-636-1291, 636-0919<br>Fax: 92-42-636-8488 |
| New Cloth Market | On-line magazine for India's textile sector. Advertiser's section has lists of Indian companies. | http://www.ourindia.com/ei.htm |
| BharatTextile.com | Indian portal dedicated to news about the world textile and apparel industries, particularly in South Asia. | http://www.bharattextile.com |
| Federation of Danish Textile and Clothing | Directory of Danish apparel and textile manufacturers | http://www.textile.dk |
| Malaysian Textile Manufacturers Association | Information on Malaysian textile and apparel sectors | http://www.fashion-asia.com |
| European Apparel and Textile Organisation (EURATEX) | Information to advance E. U apparel and textile industries | http://www.euratex.org |
| European Textile Finishers Organisation | Organization providing legislative information to textile finishing industry in Europe | http://www.criet.org |
| Association of Austrian Textile Industry | Information on Austria's textile industry, including company names and products | http://www.textilindustrie.at |
| Belgian Textile Federation | Information on Belgian textile industry | http://www.febeltex.be |
| Federation of Finnish Textile and Clothing Industries | Information on Finnish apparel and textile industries, including searchable company database | http://www.finatex.fi |
| Union of Textile Industries, France | Facts on French textile industry | http://www.textile.fr |
| Textiliens | French textile and clothing portal. Directory of French textile and apparel producers. | http://www.textiliens.net |
| Gesamttextil | Umbrella organization of German textile industry. Includes lists of textile trade shows throughout world. | http://www.gesamttextil.de |
| Swiss Textile Federation | List of Swiss apparel and textile companies, and trade fairs | http://www.swissfashion.ch |
| Swiss Foundation for the Yarn Industry | List of Swiss yarn companies | http://www.swissyarn.ch |
| Swiss Foundation for the Twine Industry | List of Swiss rope, twine, and thread producers | http://www.swisstwist.ch |

| Trade Association or Portal Name | Association and Site Description | Internet URL or Address |
|---|---|---|
| Italian Textile Association | Association safeguards interests of Italian textile industry. Site has company search function. | http://www.asstex.it |
| Industrial Association of Cotton Process Textiles, Spain | Information on Spain's cotton textile industry | http://www.aitpa.es |
| Federation of Norwegian Manufacturing Industries | Search textile and other manufacturing companies | http://www.tbl.no |
| Swedish Textile and Clothing Industries Association | Information on Sweden's textile and apparel industries | http://www.teko.se |
| British Apparel and Textile Confederation | Information on British apparel and textile industries | http://www.batc.co.uk |
| Association of Textile, Clothing and Leather Industry | Directory of Czech apparel, textile, and leather producers | http://www.atok.cz |
| Polish Federation of Apparel and Textiles | Advocate for Polish apparel and textile manufacturers. Includes list of companies by product type. | http://www.textiles.pl |
| Association of Textile and Clothing Industry in the Slovak Republic | Association for the development of clothing and textile industries in the Slovak Republic | http://www.merina.sk/atop |
| Estonia Clothing and Textile Association | List of Estonian clothing and textile products and producers | http://www.textile.ee |
| Home Textile Producers Association, Turkey | List of Turkish manufacturers of home textiles—curtains, towels, linens, etc. | http://www.hometex.org |
| Association Marocaine des Industries du Textile et de l'Habillement | Information on Moroccan apparel and textile industries | http://www.amith.org.ma |

## ANNEX 11: Follow-on Tasks

1- Establish a committee from representatives of private and public industrial estates, as well as JIB, to coordinate investment promotion activities. The objectives of such committee would include:
   - Coordination in planning and executing outward missions
   - Agree on general message to be delivered to potential investors in the garments sector
   - Share in costs of promotion, outward missions, and resources required for research and sector knowledge.
   - Monitor and coordinate positions on the possible impacts of ATC expiration.

2- Support in production of garment specific brochure for JIB.

3- Support in planning and preparing for outward missions to selected markets to include: timetable and logistics of event; preparation of specific promotional material and translation if applicable; specific research activities for each market; division of roles among participants; training on preparation and delivery of presentations; and preparation for and training on one-to-one meetings with individual investors.

## ANNEX 12: Investment Decision Factors

| General Factors for Investment: Industry-by-Industry Weights | | | | | |
|---|---|---|---|---|---|
| **Degree of Importance** | **Heavy Industry Manufacturing** | **Light Industry Manufacturing** | **Professional Services** | **Location Based Services** | **Tourism** |
| Critical | • Government Policy<br>• Macroeconomic Performance<br>• Access to Markets | • Government Policy<br>• Macroeconomic Performance<br>• Access to Markets | • Government Policy<br>• Macroeconomic Performance | • Government Policy<br>• Macroeconomic Performance | • Government Policy<br>• Macroeconomic Performance<br>• Amenities Attractions |
| High | • Country Risk Profile<br>• Sea Transportation<br>• Land Transportation<br>• Electricity<br>• Water<br>• Government Policy<br>• Access to Financing | • Human Resources<br>• Country Risk Profile<br>• Sea Transportation<br>• Land Transportation<br>• Electricity<br>• Access to Financing | • Human Resources<br>• Tele-communications | • Access to Markets<br>• Sea Transportation<br>• Land Transportation<br>• Air Transportation<br>• Tele-communications | • Country Risk Profile<br>• Human Resources<br>• Sea Transportation<br>• Land Transportation<br>• Air Transportation<br>• Tele-communications<br>• Awareness to location |
| Moderate | • Investment Incentives<br>• Human Resources<br>• Land/Building Costs | • Investment Incentives<br>• Country Risk<br>• Land/Building Costs | • Investment Incentives<br>• Country Risk<br>• Access to Financing | • Investment Incentives<br>• Human Resources<br>• Investment Incentives<br>• Land/Building Costs<br>• Access to Financing | • Investment Incentives<br>• Sea Transportation<br>• Electricity<br>• Land/Building Costs |
| Low | • Air Transportation<br>• Telecommunications | • Water<br>• Telecommunications | • Air Transportation<br>• Land Transportation<br>• Electricity<br>• Land/Building Costs | • Electricity | |
| None | | | • Access to markets<br>• Sea Transportation<br>• Water | • Water | • Access to markets |

**ANNEX 13: Draft JIB Brochure: Garment Sector**

The following themes and facts need to be highlighted in JIB's promotion material for the garment sector:

**Agreements**
FTA, QIZ and EU Association agreements
Duty and Quota free access to the USA and Europe
Sourcing of fabrics from third countries permissible under QIZ regulations

**Investment and Tax Incentives**
Zero tax on exports
Full repatriation of profits
100% foreign ownership
Duty free entry of raw materials and assets

**Track Record**
62 international companies are currently operating in QIZ areas
Annual Investment in QIZs is already over US$0.5 billion
Investors from China, Taiwan, Hong Kong, Pakistan, India, the Arab Gulf, Europe and the USA
Increase in exports over the last 4 years (%)
Products sold in major department stores and outlets like JC Penny, Macy's, Marks and Spencer, Walmart, Gap, Nordstrom Rack, Structure, Tommy Hilfiger.

**Infrastructure**
Very good infrastructure in place
Choice of public or private run zones
Ability to rent or buy industrial buildings

**Operating Costs**
Reasonable minimum wage, and utility costs
Ability to jump-start operations by foreign workers

| Item | Cost (USD) |
|---|---|
| Minimum Wage | 120 per month |
| Work Permit Fees (for foreigners) | 225 for first year of employment |
| Social Security | 10.5% of employee's salary |
| Electricity | 0.05 per kwh |
| Water | 1.4 per m3 |
| Land Lease | 3.5 per m2 per year |

**Location**
Proximity to Europe
Relative proximity to the USA
Access to the Red and Mediterranean Seas
(Shipping time from Far East to Aqaba is 3-4 weeks)
(Shipping time from Aqaba to New York is approximately 25 days)

(Shipping time from Aqaba to Europe is approximately 2 weeks)

**Investment and Facilitation Services**
JIB specialized in support of setup and facilitation services to investors

## ANNEX 14: SWOT Analysis Technique

### Why use the tool?

SWOT Analysis is a very effective way of identifying your **S**trengths and **W**eaknesses, and of examining the **O**pportunities and **T**hreats you face. Carrying out an analysis using the SWOT framework is often illuminating - both in terms of pointing out what needs to be done, and in putting problems into perspective, thus it helps you to focus your activities into areas where you are strong and where the greatest opportunities lie.
As a promotion officer, your main objective of using this analysis is to determine the competitive / comparative advantages of Jordan as a location with respect to an industry sector / niche in that sector.

### How to use the tool:

To carry out a SWOT Analysis you need to follow the following steps:

A) Write down answers to the following questions. Where appropriate, use similar questions:

***Strengths:***

- What are your advantages?
- What do you do well?
- What relevant resources do you have?
- What do other people see as your strengths?

Consider this from your own point of view and from the point of view of the people you deal with. Don't be modest - be realistic. If you are having any difficulty with this, try writing down a list of your characteristics. Some of these will hopefully be strengths!

In looking at your strengths, think about them in relation to your competitors - for example, if all your competitors provide high quality products, then a high quality production process is not a strength in the market, it is a necessity.

***Weaknesses:***

- What could you improve?
- What do you do badly?
- What should you avoid?

Again, consider this from an internal and external basis - do other people seem to perceive weaknesses that you do not see? Are your competitors doing any better than you? It is best to be realistic now, and face any unpleasant truths as soon as possible.

***Opportunities:***

- Where good opportunities are facing you?
- What are the interesting trends you are aware of?

Useful opportunities can come from such things as:

- Changes in technology and markets on both a broad and narrow scale
- Changes in government policy related to your field
- Changes in social patterns, population profiles, lifestyle changes, etc.
- Local Events

A useful approach to looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating them.

***Threats:***

- What obstacles do you face?
- What is your competition doing?
- Is changing technology threatening your position?
- Could any of your weaknesses seriously threaten your business?

B) List the strengths and weaknesses factors identified above in a table and rank them according to level of importance (see table below)

| | **Performance** | | | | | **Importance** | | |
|---|---|---|---|---|---|---|---|---|
| **Factor** | **Major Strength** | **Minor Strength** | **Neutral** | **Minor Weakness** | **Major weakness** | **High** | **Medium** | **Low** |
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Sort results based on the importance levels – if the list is long you may want to omit the low importance factors.

List the opportunities and threats identified from answering the earlier questions into a list and rank them according to the probability of their occurrence (success).

| | Condition | | | | | Probability of Occurrence | | |
|---|---|---|---|---|---|---|---|---|
| **Factor** | **Major Opportunity** | **Minor Opportunity** | **Neutral** | **Minor Threat** | **Major Threat** | **High** | **Medium** | **Low** |
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Sort results based on the probability of occurrence – if the list is long you may want to omit the low importance factors.

C) Use the results of the SWOT analysis to determine Jordan's competitiveness in comparison with regional/global competitors and to build the future strategy (sector niche(s) and target market(s) by:

- Building on the strengths
- Resolving the weaknesses
- Exploiting the opportunities, and
- Avoiding the threats

## ANNEX 15: Planning for Investment Promotion

Investment promotion is based on identifying and satisfying investors' needs. This briefing will help you plan and monitor your promotional plans. It covers:

- The basic objectives of all JIB promotions
- Reviewing Jordan's / JIB's market (investors, FDI) and how Jordan fits into it
- Creating an investment promotion strategy
- Setting out JIB's investment promotion action plan

### *I Basic Investment Promotion Objectives*

Every investment promotion activity you undertake should help you to achieve at least one of the four results below – which, in turn, will lead to increased FDI and investment activity.

**A** You **retain** your existing investors (domestic, regional and international)

- A poor retention rate means you have to spend heavily on promotion to replace the investments you have lost.

**B** Your investors make **larger investments**.

**C** Your current investors **invest more** in diverse supporting activities beyond core business (e.g. HR training in addition to production, IT upgrade, etc….)

**D** You win **new investors** (domestic, regional and international)

- Identify Jordan's best investors and target new investors with similar profiles.

### *II The FDI/DDI and Investment Market*

Understanding the investment market allows you to target promising investor / market segments which suit Jordan's strengths.

**A** Who are the **investors** in countries like Jordan?

- Divide investors into different categories to help you spot the best opportunities

| **Suggested Investor segmentation* for Jordan** | |
|---|---|
| Segment I | ▪ Quota Driven investors |
| Segment II | ▪ Natural Resources Driven Investors |
| Segment III | ▪ Local and regional market-access driven investor |
| Segment IV | ▪ Skills and competencies driven investor |
| Segment V | ▪ Cost driven, relocation driven investor |

* *Segmentation can be carried out by industry sector*

**B** What do the investors **value most** in countries like Jordan?

- How do they choose between different investment opportunities in different countries?

**C** What **size** is the investment market (FDI/DDI) Jordan is targeting? Is FDI expanding or declining in specific sector? What are the key trends (e.g. outsourcing)

- Be realistic

**D** What is the country/sector **competition** (regional and international) doing?

- Profile Jordan's competitors and their sectors/investment opportunities. Ask investors why they prefer the competitor's opportunities to Jordan's (e.g. why India for IT outsourcing vs Jordan's ICT, what is Bosnia offering for the textile and garment globally, etc…)

**E** What other factors influence Jordan's / Investment **business environment**?

- For example, geopolitics, government policies, new technology, quality standards, etc…

### *III SWOT Analysis*

SWOT analysis reveals Jordan's and the sector's key strengths, weaknesses, opportunities and threats. It is a good way of summarizing Jordan's sector specific position in each key segment vis-à-vis Jordan's competitors. (Cooperation with the Ministries of Planning and Industry, Private sector associations and private investors is important and reveals much about the status of the local industry).

**A** Identify the **critical success factors** for Jordan, in the specific sector, versus its competitors. Give each factor a weighting according to its importance.

- Critical success factors might include: are we the lowest cost provider, the most investor friendly, speed of investment cycle, human resources, etc…

**B** Score Jordan / Sector for each factor and multiply the score by its weighting. Then repeat the process for each competitor.

- By listing the results in a table you can present a clear picture of Jordan's / sector's relative strengths and weaknesses.

**C** Identify opportunities and threats by **brainstorming** ideas using two headings:

- Organizations (and individuals) that directly affect investment opportunities
- The broader business/investment environment (geopolitics, tax, government policies, new technology, legislation, etc…)

### *IV The Promotion Audit*

Your investment promotion audit pulls together the key information. It gives you a clear understanding of the investment market, how Jordan / Sector fits into it and how effective JIB's previous promotion has been. The internet could be a key source for information gathering (e.g. www.ipanet.net)

**A** Analyse each **market / sector segment** Jordan intends to attract.

**B** Rank target **investments** in order of their importance to Jordan / Sector (compliance with national policies and objectives.).

**C** Analyse the reasons **why investors invest** in Jordan / sector and invest in other countries / sectors

**D** Review every **promotion initiative** you undertook in the previous period, to see what worked.

***V The Investment Promotion Strategy***

Successful strategies take a deliberate step-by-step approach, focusing on a limited set of well-defined objectives.

**A** Which investor segments, and which individual investors, will you **target**?

**B** What adjustments will you make to **Jordan's offering / opportunities** to increase FDI/DDI? How can you adjust your promotion strategy to build on Jordan's / sector strengths and exploit market opportunities?

**C** What are the **costs of investing** in Jordan / sector / opportunity?

**D** How will you **facilitate the execution of investment** in the offering / opportunity to investors?

**E** How will you **promote** each sector / opportunity?

- By targeting (the most sophisticated and challenging step in becoming a competitive, pro-active and successful Investment Promotion Agency).
- By personal recommendation (often a key source of new investors). Consider ways to increase the number of introductions, starting with thanking each person who recommends Jordan (domestic private sector companies with international/regional exposure could be the first to carry out credible promotion to their business partners and suppliers to come to invest in Jordan).
- Consider being listed on sector / market specific databases and internet portals (e.g. www.ipanet.net, )
- Consider developing contacts with appropriate corporate relocation departments/consultants
- Consider listing information about Jordan with sector specific publications and journals (bearing in mind the investor segmentation as shown herein above)
- Consider direct mail, telemarketing, PR, advertising

**F** How will you **assist** each investor to come and invest? What are the steps he needs to undertake and what will you do to facilitate the process?

**G** How can you improve **investor service**? This can have a major impact on investor retention at minimal cost.

**H** How will you **measure** the effectiveness of each promotion activity?

### *VI Promotion Action Plan*

Your promotion action plan takes each element of your promotion strategy and allocates detailed budgets, responsibilities, targets and deadlines.

**A** Include a communication calendar that prompts you to contact each investor / potential investor regularly.

- You need to do this at least once every 90days to maintain ‘front of mind awareness’. This excludes the actual promotion process and routine communication (e.g. emails, newsletters, season’s greetings etc…)
- Keep asking investors for feedback on JIB/Jordan’s performance and their own performance and on any new developments in the marketplace – including their own news. Ask them for ideas to improve attractiveness, servicing, etc…

**B** Focus on being **visible** to your hottest prospects.

- With Jordan’s best investors (and potential investors), you might want regular meetings, or at least regular phone contact, as well as doing mail shots. Corporate entertainment at embassies can also help you build stronger relationships
- Your less important investors might receive mail shots by post or fax.

**C** Get to know the **investment / business cycles** of your investors.

- For example, investors whose new budgets start in April (US) may plan the budget the previous October, so you would need to approach them before then.

**D** Plan your **promotions** for the year

- For example, what missions will you do to which sector or investment segments? Who is responsible for implementation, including the fulfilment and measuring the results against your budget?

To summarize, considering the above points, follow the steps highlighted below:

- Develop the action plan template with a clear timeline
- List the target investor segments and develop the activity timeline for every segment
- For every investor segment/sector, develop a list of industry events and map them on the calendar action plan. This will include the prospecting trips (missions), exhibitions, etc…
- For every investor segment/sector, develop a list of the promotional activities that are intended for use. This will largely be in the form of direct mail, newsletters, segment presentation highlighting key benefits/messages, outward missions, next steps required etc…. These should be later mapped into the calendar

- Highlight any segment/market research needs that are required and map them on the calendar. Ensure that this is done before the respective promotional activity.
- For every section above, assign a budget and a person responsible for implementation.

### *VII Investment (FDI/DDI) Forecasts*

Draw up a budget for the year ahead, showing what you aim to achieve in terms of investments. These forecasts should be updated monthly, looking 12 months ahead.

**A** Understand the **drivers** behind the target figures.

- The number of promotion contact leads maybe crucial for one sector…

**B** At the start of each year do **three forecasts** – pessimistic, realistic, optimistic. Plan how you would handle each scenario.

- State the assumptions behind each forecast.
- Forecasts for new business start up are notoriously difficult – be extremely conservative.

### *VIII Measuring Success*

Track your progress for every quarterly period for each opportunity / sector area. Check you are achieving your objectives and reaching the targets you have set.

**A** Use a standard **investment enquiry form** to record how people heard of you.

**B** Calculate the **conversion rates** for each type of promotional activity.

- Track contact leads and effective (actual and upcoming) investments.
- Analyse the acquisition cost per new investor (FDI/DDI)

**C** Record how many **investors** you have acquired, and how many you have lost and why.

- Contact investors who have limited their investment and find out why.

**D** Monitor the **average value** of a transaction and how many transactions were completed in the period.